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CUSTOMER CENTRICITY AS SYNONYM OF FUTURE
COMPETITIVENESS: IMPLICATIONS IN THE
MANAGEMENT OF CUSTOMER SATISFACTION

Esprinet Case Study

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INTRODUCTION

The content and analysis of the theme proposed does not concern only the reasons supporting the idea that if an organization aims at implementing a successful interacting marketing 2.0 strategy, its culture together with its brand image must be customer centric, since this is something deeply discussed and approved in the literature. The aim of the thesis is to also shed light about possible implications emerging in companies such as Esprinet Group which were born product centric and decided to change radically and start the customer centric path. The problems emerging, which are accompanied by concrete examples arising from Esprinet Group experience, are sometimes underestimated, and in some cases not emphasized by the literature.

In this framework it is appropriate to begin with the definition of customer centricity proposed by the literature, explaining the meaning of being a customer centric organization, together with the reason why often the term is used inappropriately, even by managerial and marketing scholars; it would be important to highlight, for instance, that customer centricity does not deal with gathering data as much as possible on customer base and personalize offers depending on those data, rather it concerns with identifying the consumers “that value the most”, to analyze their preferences, and to deliver the highest value to them. Moreover, the six ingredients of customer centric strategy agreed by different marketing and manager scholars will be defined, in order to understand what dismisses customer centricity from other types of strategies. Having clarified this, the reasons why some scholars believe that product centricity, the opposite of the customer centric strategy will be explained, in order to understand why the literature presents customer centricity as a successful perspective especially in the current historical period. Afterwards, it would be equivalently important to point out that deciding to change organizational strategy from product centric to customer centric is not a straightforward task, given the fact that it is a matter of changing the cultural roots of an organization. The same challenges are linked to the particular way customer acquisition, retention, and development of the customer centric strategy it approaches, considering the fact that in a customer-oriented perspective these phases are paramount and must be treated with attention and caution.

All company's strategies are linked to a specific functional department, which must suit at best the requirements of the strategic objective set. In the case of a customer centric strategy, the CRM department represents the most suitable functional department, being the organizational structure helpful to create and capture more value from the company's customers. For this reason, a whole paragraph will be dedicated to the explanation of the CRM's responsibilities and challenges it could face with a customer centric strategy. Afterwards, the reasons why often customer centricity should be integrated with the omnichannel business model will be explained. As Peter Fader states "Omnichannel gives organisations a strategic capability to get closer to their customers they couldn't even have imagined 20 years ago". The main reason lies in the fact that companies, by adopting an omnichannel business model, are able to track customer attitudes throughout both online and offline places at the same time, in a coherent and reliable way.

Furthermore, the importance of measuring customer satisfaction will be clarified, by introducing at first the customer delight principle, which emphasizes the difference between satisfaction and delight (Finn). Secondly, some reasoning made by Peter Fader about segmentation are highlighted: he argues that there are some "old" and "antiquated" segmentation practices, especially for the customer centric strategy i.e. demographic segmentation and personas.

Having clarified all the aspects and implications of this type of organizational structure by means of theoretical references, the proper marketing strategies that need to be affiliated to this type of company like Esprinet in order to transfer externally the customer centric image of the company towards its "most valuable customers" are analyzed. However, before going towards the focus of the thesis, a clear theoretical explanation of both Net Promoter Score and Customer Lifetime Value would be necessary. The first reason lies in the fact that they are the most representative measures for a customer centric company. Secondly, if they are implemented properly, they could make the customer centric approach effective, creating a clear difference between those companies that use them and companies that, despite defining themselves customer centric, don't even consider them. Those two KPIs are the ones that divide the winners from the losers in the implementation of this strategy. There is a third indicator, which is the Customer Equity: the main goal of customer centricity is to maximise customer financial value, as a

consequence also equity has to be constructed following this perspective. Indeed, as brand equity is the celebration of product centricity, customer equity is the celebration of customer centricity. The following paragraph is then dedicated to the description of the Kano Model. This model has been developed by Noriaki Kano with the aim to classify and order customer needs providing companies with structured suggestions for future product developments based on these needs. The decision to report this theory lies in the fact that the model is helpful in guiding customer centric activities, placing customer expectations at the center of product or service design development. Indeed, the Kano Model classifies customer needs according to three main categories in both satisfaction and dissatisfaction situations: implicit needs, explicit needs and attractive needs. These three are respectively related to basic, performance and attractive features of a product.

The next chapter is dedicated to the description of the implications in the introduction of customer satisfaction indicators emerging from the literature. This part is important in order to understand what scholars propose as solutions to different problems that companies face in dealing with the implementation of new KPIs in response to a new business strategy. Those solutions are not specifically descriptive of the customer satisfaction KPIs but are generally referred to all the performance measures. On the other hand, they can be directly applied to the customer centric context, whenever it is a path that the company undertakes for the first time. The problem described as the most critical is the difficulty in finding a correlation between a customer satisfaction KPI (or others non-financial KPIs) and the business performance. This correlation is paramount in order to justify customer centric activities with an increase in profits. In this instance, the Balanced Scorecard model introduced by Kaplan and Norton to measure customer profitability providing balance between financial and non-financial indicators will be described. This will be accompanied by Gupta and Zeithaml's suggestion to analyze the difference between observable behaviors of customers and unobservable constructs in order to understand which information is suitable to find a correlation between customer satisfaction and company's financial performance.

The third chapter is related to the peculiarity of the business sector in which the Case Study proposed (Esprinet group) operates. Being a business-to-business company dealing specifically both with business clients and vendors, different elements of customer

centricity should be adapted to these types of relationships. For instance, customer value would be calculated in a completely different way, considering the relationship the company has with its clients: they are at first companies and not private entities, and they can be either retailers or producers. Specifically, Esprinet as a distributor deals with clients which represent either vendors, retailers, or final users. This difference is not present in BtoC companies where customers are on the same side of the market. Afterwards, what the theory suggests about the applicability of the WOM strategy in the BtoB sector in general is explained, despite in the last chapter it will be concluded that in the specific business in which Esprinet operates WOM effect cannot be applied. Going through the specificity of customer value analysis in the BtoB sector, a model proposed by different scholars (Gutma, Woodruff, and Zeithaml), the customer value hierarchy, will be described. The application of this theory to a BtoB context would allow us to understand that business customers look at value according to two main categories: the functional value and the relationship value. There is then a third category which represents the dynamic nature of customer value, which takes place when customers change their perceived value from suppliers. Moreover, the Customer Satisfaction Model proposed by Woodruff and Flint will be explained, which is a well-accepted theory and which includes three main stages: satisfaction feelings, satisfaction outcomes, and disconfirmation comparison. Finally, the Customer Value Determination Model proposed by Woodruff and Gardial will be explained, a model which involves four customer value information: identify customer value dimension, evaluate customer value dimension for strategic importance, customers' perceptions of received value and the exploration of causes of value delivery problems.

The fourth chapter is dedicated completely to the case study. The Esprinet Group business is described together with the way it decided to undertake the customer centric path. The company has always put attention towards both the vendor and the customer, but was never so committed especially when it comes to the customer. However, three years ago it decided to change this mindset, putting the customer at the center, for two main reasons: to increase competitiveness in the market and to overcome rigidity problems. The decision to undertake this path has been directly taken from the top level of the organization, and this favored immediate motivation and legitimation among the whole organization towards the project. However, despite the enthusiasm arisen from the entire

organization with regards to the customer centricity project, Esprinet has not completely achieved the goal yet. Considering the fact that the company has begun this process of reconstruction less than two years ago, what is missing is the time in order to gather as much data as possible on clients and to have enough basis to identify precisely who “the most valuable customers” are. Nevertheless, the company has already put in place the first steps for the customer listening, developing and implementing annual questionnaires to its clients asking them specific feedback. However, the challenge is not only to find data, but to make effective use of those data, it is important and critical to understand how a company can be successful thanks to a customer centric approach by identifying the proper measures to analyze customer satisfaction information it owns. In this context, proper metrics would be Customer Lifetime Value (CLV) and the Net Promoter Score (NPS). Specifically, Esprinet case study would be helpful to understand whether the NPS metric would allow us to quantify positive or negative changes of customer satisfaction over the years. This would be the engine that drives the whole organization toward recognizing the need to improve customer satisfaction, once positive correlation between the NPS and revenues will be evident. In turn, if this correlation is discovered, the legitimization process of customer centricity would take place: customer value will be legitimized over product value. In other words, the customer would be put easier at first over the product by the company. Moreover, the usage of the Net Promoter Score has already been spread among the big giants of any industry, in such a way that it has become a new benchmark in the evaluation of competitiveness. Therefore, NPS is useful not only as a reference point for the company in order to understand its position with the other players of the sector, but also as a result to improve necessarily in the future since it is turned into a “standard” benchmark. The NPS can be derived directly from the customer satisfaction survey, which is structured by the three main variables of this score. Specifically, customers define their degree of satisfaction indicating a number within a range from 1 to 10. Clients indicating a score from 0 to 6 would be defined as detractors (unsatisfied clients), if they indicate a score from 7 to 8 are defined passives, and if they identify their satisfaction into grades from 9 to 10 are defined promoters (satisfied clients). The NPS result would be a number ranging from -100 to +100 deriving from the difference between promoters and detractors. The final result is the company’s degree of customer satisfaction. The number would conventionally answer the question “would you recommend our company to your friends?”. However, it is not only important to

understand whether clients are not satisfied, but also why they are not satisfied. The simplest way to find this information is providing them respondents open questions at the end of the questionnaire. The answers to those questions should be deeply analyzed and classified depending on the type of issue related to the company. The aim is to ensure that each department is aware about what the issues emerging from client perspective are and that the organizational figure in charge of solving that issue is informed, in order to react quickly to these feedbacks and instantly manage the problem. This step is paramount since it is the only way to close the loop, the client should not only feel to be listened to by company but that there is commitment in the company to solve the problem. This is what the CRM department of Esprinet is trying to implement, experimenting if this method could clearly align all the organization towards a common objective: satisfying customer needs by solving their problems. CLV is another important economic indicator emphasizing customer value, maybe the most representative, being the sum of the all-lifetime values of each customer. However, in this case study it won't be possible to explain its effectiveness, not being implemented by Esprinet yet and considering a short time span of analysis. On the other hand, analysis on NPS result will be clarified together with the usage of this metric to make possible segmentation reasonings: thanks to the integration of information such as customers' revenues, number of pageviews and transportation costs it would be possible to discover similar characteristics between Promoters, Passives, and Detractors. In this instance, the company has been excellently able to overcome the problem by linking this metric with other company's internal variables e.g. customer's revenues. Thanks to this analysis, Esprinet has discovered important features characterizing the three NPS groups, that confirm the dissatisfaction level from Detractors' side, and satisfaction one from Promoters' side.

The concluding part of the thesis captures concepts emerging from the previous chapters, both when it comes to the literature review and the explanation of the case study, in order to build some reasonings about possible discrepancies between what the literature suggests and what the case study emphasizes as critical in dealing with the first implementation of a customer centric strategy. These reasoning could be useful to incentivize future theoretical models to better approach the concrete experience of companies, to become a more efficient support in the management of the customer centric strategy. Moreover, these logics are accompanied by possible suggestions to solve the

company's problems that are not highly emphasized by the literature. The themes emerging are different. The first is the problem in integrating customer satisfaction goals with traditional performance objectives, which is paramount in order to legitimize the Customer Centric transformation process. The second regards the partiality of the customer satisfaction survey in providing consistent data about customer satisfaction level considering a company's client base. The third is related to some limitations encountered by the company with regards to the NPS. The last reasoning is about the inapplicability of the WOM strategy to the type of business in which Esprinet operates i.e. the IT BtoB distribution sector.

Chapter 1: **LITERATURE REVIEW ON CUSTOMER CENTRICITY**

In this chapter all the principles of customer centricity concept from the literature are going to be revised. Specifically, the first paragraph will concern the history of customer centricity where different scholars articulate their own interpretation of the term (such as Levitt, Wunderman, Shet and Sharma). Afterwards, the definition of customer centricity elaborated by Peter Fader in his book “Customer Centricity, Focus on the Right Customers for Strategic Advantage” is cited together with further clarifications on the main related properties. The third paragraph is dedicated particularly to the explanation of the primary ingredients of customer centricity defined by Fader. Once the main pillars are clarified, different reasonings are reported to understand why nowadays product centricity (the opposite strategy of customer centricity) in some cases does not fit anymore market requirements. The second part of the chapter will be entirely dedicated to the operational aspects involved in a customer centric strategy, including the organisational and financial implications, specific approaches towards acquisition and retention, and the main performance measurement systems that characterize this strategy.

1.1. History of customer centricity

The definition of what customer centricity is has been spread throughout the literature in different manners, so that the real meaning often has been oversimplified, and sometimes even completely misunderstood. The main reason lies in the complexity of the theory, on one hand deeply analyzed by outstanding authors such as Peter Fader, a professor of Marketing at The Wharton School of the University of Pennsylvania, on the other hand inappropriately cited in many academic articles. The aim of this chapter is to shed light about the real meaning of the term, in order to clearly understand the implications of this theory and put the theoretical basis to support the hypothesis of the thesis.

To do so, it would be appropriate to begin with the explanation of the origin of the term. The concept of customer centricity has been introduced for the first time in 1954 by Drucker, when he wrote “The Practice of Management”, where the main element of the theory is present: “is the customer who determines what a business is, what it produces, and whether it will prosper” (Denish Shah et. al, 2006).

Afterwards, Levitt (1960) supported the idea of focusing on customer needs rather than on selling products. 30 years later the theory has been emphasised in a seminal article which introduced the concept of “service profit chain” (Ruci et. al, 2008). The “service profit chain” idea has been deepened over the years, becoming associated with satisfaction and loyalty. Customer empowerment in decision making was unconsciously evident from that moment on, even explicated by the mission statement of Sears: “Sears, a compelling place to work, to shop, to invest” and “Passion for the customer, our people add value, and performance leadership”.

During that period, the theory of “one to one marketing” by Peppers and Rogers was declared, introducing the idea that understanding customer listening is the starting point to develop tailor made products to real specific preferences. This forecasted the theory of mass customization, the main representation of customer centricity in that period.

Other sources state that the origin of customer centricity derives from the direct marketing revolution in the 1960s¹, sustained by Lester Wunderman. Before that moment, marketers in their communication strategy mainly relied on mass media (i.e. television and radio). Afterwards, direct marketing helped to shift focus towards reaching potential customers through direct mail as much as possible. It has been discovered a more efficient and effective way of communication.

During the 1980s and 1990s, technological improvements such as the introduction of the loyalty cards allowed retailers to track consumer behavior in a precise way for the first time and made direct marketing even more effective: reaching them with tailored messages and emails. The introduction of IT and e-commerce at the end of the 1990s emphasised even more the efficacy of customer-centric marketing, enabling to capture even more insights of shopping behavior and reaching customers in the proper way.

With the new millennium, demographic and technological factors together with dissatisfaction with existing product offer are defined by Sheth and Sharma (J.N. Sheth et al, 2000) the drivers of the adoption of customer-centric marketing, replacing product-

¹ <https://university.custora.com/for-marketers/customer-centric-marketing/basic/the-history-of-customer-centric-marketing>

centric marketing that was considered efficient and effective in reaching customers in the 21st century. Therefore, before the 2000 customer centricity was considered a new opportunity but was not necessarily felt as the only way to succeed. Afterwards, considering the new complexities arising in the market, the shift of focus toward a customer centric view became almost a necessity. This is one of the reasons why the term has become so popular and so spread in the mouths of many marketing experts over the years.

1.2. What is customer centricity

Despite the popularity of the term, few of those who cited it deepened the analysis on what customer centricity really means, one of those few has been Peter Fader in his book “Customer Centricity, Focus on the Right Customers for Strategic Advantage”. For this reason, reporting the definition of customer centricity he states in this book would be appropriate: “customer centricity is a strategy to fundamentally align a company’s products and services with the wants and needs of its most valuable customers” (Peter Fader, 2016). The main point that distinguishes a customer centric company from a product centric one is the following perspective: the company must not be concerned for what it sells but for how it sells. However, this statement is not exhaustive of what customer centricity is, since it can reduce the meaning of this strategy to pure customer service. Indeed, “customer centricity is not about being nice to your customer” (Peter Fader, 2016), it is something that lies beyond customer service, rather it considers a wider set of strategic actions to deliver value to the customers. More precisely, this value is not delivered in the same way and is weighted differently depending on the type of customer the company is relating to. This arises from the essential idea that the customer is not always right, only the right customers are always right. In a customer centric strategy good customers are different from everyone else. Therefore, the single customer does not exist because every customer is different. As Peter Fader states “customer centricity is the celebration of customer heterogeneity”, that’s the main reason why it cannot be oversimplified by the simple activity of delivering a service. Specifically, the activity of a customer centric strategy is to segment customers among “valuable customers” and “everybody else”. This does not mean that those “not valuable customers” should not be served by the company, but only some customers deserve the best service treatment.

From those assumptions arises the main activity to pursue to follow a customer centric strategy: identifying the most valuable customers and concentrating the highest effort possible in order to find customers that value as well as them. In order to succeed in the future, the company must allocate as many resources as possible to identify its most loyal customers, but also deliver them the highest value possible not only to satisfy their needs but also to maximise their value to the company. In this framework customer loyalty program is the activity that helps the most.

If customers are not always right, they are also more powerful than in the past. If in the past reviews to friends were made through phone call, from the advent of the Internet word of mouth became faster so that customers acquired more power to express their dissatisfaction. This is another reason why a change of perspective from the product to the customer was necessary (J.C. Chebat, C. Vandenberghe, 2017).

Customer centricity has one element in common with product centricity, maybe the only one, which is the aim of the strategy: more profits for the long-term. This lies in the basic idea that, if the right customers are satisfied by the value delivered from the company, they will be loyal in the future. Loyalty means ensuring long term profits. Therefore, a positive customer experience delivers value to the business. And satisfied customers not only remain loyal to the company, they also become ambassadors of the brand, through word of mouth and expanding the potential market for a product (T. Haque, 2017). However, it is not straightforward to delight customers, especially for a company that has always been product centric. It implies dismissing old ideas about relationships with customers, and to completely reconstruct organisational design, key performance indicators and product development.

1.2.1. Five ingredients for a customer centric strategy

Having clarified what customer centricity is it would be helpful to report some guidelines about what the main ingredients of this strategy are. In this context, Marsh, Sparrow and

Hird (C. Marsh, P. Sparrow, M. Hird, 2010), explicated six important building blocks in their publication about customer centricity, defined below.

- 1) Mass customisation: finding the best possible proposition for a given customer. Mass customisation can be considered the most paramount perspective of a customer centric strategy. Personalisation of the offer is the primary way in order to start from the customer viewpoint in the product development process. Indeed, what characterises customer centricity is the willingness to find the best solution for the customer, rather than the best product for the customer, as it happens with a product centric strategy. Moreover, the company is not looking for the most advanced customer as it is the case of a traditional organisation, but for the most profitable, loyal customers.
- 2) Involvement of the consumer in the design process. The concept of co-creation in a customer centric firm is crucial as well: if customer's ideas are part of the product development process, the company is effectively able to succeed when it comes to customer's needs. Moreover, by discovering what are the expected needs of the customer thanks to the process of co-creation, the company is able to gather information about customers, using them for future potential customers belonging to the same segment.
- 3) Empowerment of the front-line staff. As the customer is the focus, the organisational roles of the company closer to him should be as well. If the company depends on the decision of the customer, this means that the customer is powerful. As a consequence, the front-line staff must increase in importance. Customer satisfaction starts by solving problems causing his dissatisfaction, and only an empowered and acknowledged customer service is helpful to achieve it in an effective way.
- 4) The democratization of customer relationships and knowledge. In order to succeed in a customer centric strategy, as Sparrow, Marsh and Hird stated, the company must shift from information asymmetry to information democracy. CRM is the way companies translate their ideas into conversation with customers, and customers must understand clearly the value the company is offering thanks to this conversation. As a consequence, the information must not be scarce but ubiquitous, the relationship with customers must not be a monologue but a conversation and marketing should deal with connection and

collaboration, not with command and control. That's why information should be democratic.

- 5) The capability to filter massive data sets to add value to product and service offers. The ability to translate data into useful inputs to deliver value is paramount, however it is not an easy task. Most of the companies are still unable to associate the web activity to a precise user. Moreover, there is lack of integration between databases, of relevant information and of time and resources to understand and analyse data. Only the companies that are able to solve those problems succeed with a customer centric strategy.

What the authors clarify is that those principles are not found in every successful customer centric company, but they help clarify what are the elements to take in mind theoretically when a company wants to help the organisation entering in the customer centric mind. Obviously, not all the principles can be applied to every organisation and will be the capability of leaders to understand when it is the case or not to implement them.

1.2.2. Why product centricity is not effective anymore

In order to legitimise the efficacy of the customer centric strategy it is useful to understand the characteristics of its opposite, the product centric strategy. Firstly, the core activity is based on the product and the effort concentrated behind this product. Secondly, it involves the activity of selling as many products to as many unknown customers as possible. This implies overlooking the differences among customers, therefore delivering value without making a distinction between the "right" and the "wrong customers". Moreover, divisions and teams are organised around products and employees are evaluated based on their effort to develop new products or selling existing products. As a consequence, the long-term perspective regards widening and intensifying product portfolio throughout activities of product expansion. This pushes the company to give priority to the brand over the customer.

Product centric firm strategy for profit maximisation is centered on economies of scale and market position. As Peter Fader states, those can be reached in two ways: on one hand companies can explore and expand in new markets with their existing products, adapting the product to the new geographical areas, on the other hand the company can develop the product realising the 2.0 version, conferring innovativeness to the existing product. Those strategies are effective even today but could not work in all the cases. The first reason lies in the fact that the new generation of customers has higher awareness of what it wants, and it wants it instantly. As a consequence, if the company is not able to satisfy customer needs immediately, they will not remain loyal for long. Moreover, due to the radical improvement in technological advances, and the expansion of technological knowhow all around the world, there is less technological advantage in companies than before. This is related in a consistent manner to globalisation, which caused a huge loss in geographical advantage as well, distance is not important anymore in terms of competitive advantage. At last, what contributed to increasing the effectiveness of customer focus rather than product focus is the usage of Big Data: now, more than ever, companies can gather impressive amounts of data about customers in an instant and efficient way.

As James Dodkins states, “because customers have been exposed to more of the world they can now choose to transact with more of the world” (J. Dodkins, 2014). Customers are now able to reach what they want whenever they want because geographical barriers are not considered a limit anymore. They now have the possibility to reach different options, and options arising are substantially increasing. Taking coffee as an example, in the past options were with or without milk. Today the options are iced, ristretto, no cream, sugar free and so on. Customers nowadays expect to be served by people that know every option and can also offer alternatives never expected. Customer retention depends on the degree to which a company is able not only to satisfy their needs but also to exceed their expectations. However, as the number of times the company is able to gratify customers increases, the probability to exceed expectations again decreases. That’s why customer loyalty is more and more difficult to achieve. According to a research carried on by Microsoft², in 2020 54% of total customers interviewed and 66% of customers who are

² <https://www.customerthermometer.com/customer-service/customer-service-and-satisfaction-statistics-for-2020/>

between 18 and 34 years old resulted to gain higher expectations for customer service today in relation to one year ago. That's why reasoning in a product centric way could not work anymore: focusing on expanding the market on the existing product, or even releasing a new version of the same one is counter-productive in this new challenging scenario.

1.2.3. Challenges of customer centricity

Building a customer centric strategy is not an easy task. Beyond constructing a completely different organisational culture, it is equivalently important to align all the company's structural dimensions towards this change of perspective. Following what Peter Fader states, there are two challenges that the company will have to face in order to build a successful customer centric strategy.

The first is the organisational challenge. It is a radical change to have clear in mind that some customers matter more than others in terms of value. Moreover, the idea that the company should completely reconstruct its research and development functions, rethink its measurement systems, and rethink every element of the day-by-day activities to meet the demand of the "right" customers is radical as well. Every operation of a traditional product centric company was based on selling an excellent product, without thinking about what could delight the right customers. Once the company has defined the key elements that characterize its best customers, it has to bring those ideas from the top level to the bottom-line of the corporate structure. This is because every unit of the organization takes the responsibility to do precisely what is necessary to maximize "right" customers' value. Therefore, it is not only a matter of changing culture, but the entire structure of the organization to render the strategy effective.

The second is the financial challenge. Customer centricity is a costly strategy, at least in the short-term, considering the fact that the investment to acquire the necessary technology and human capital to gather data about customers is huge. In order to transform a short-term loss into a long-term gain, a company must allocate its resources properly. Therefore, there is a degree of risk in the investment, but if the company is able

to succeed, rewards in the future will be ensured for a straightforward reason: customer loyalty. As explained before, loyalty is the equivalent of future profits. “Product centricity works, but for many companies and in many industries, customer centricity works better”, Peter Fader states.

1.2.4. Customer acquisition

Peter Fader (2018) defines customer acquisition as the beginning of the customer’s lifetime value. This is an important part of the process in a customer centric strategy considering that the company usually has more control over the customers it acquires in contrast to the ones it has to retain. The reason is simple: it is easier to delight them for the first time, rather than satisfying them more than when it has been done initially. However, concentrating on new customers since it is easier and less costly is a product centric perspective. While traditional marketing concentrates mostly on the “reduced acquisition costs” (L. Lamberti, 2013), customer centricity is focused on establishing a stronger relationship between the company and its existing customers. In other words, what is the focus in a customer centric company is the customer loyalty. This is because loyalty effect generates higher benefits over the acquisition: delighted customers reward a firm in multiple manners such as spending more, share positive referrals and remain longer.

However, customer retention is an expensive operation. In order to maximize the effort to favor customer loyalty the company needs to invest in it. In a situation in which the most valuable customers are satisfied there would be no profit in the short term since their loyalty will reward the company only in the long term. This is why an acquisition strategy, parallel to the retention one, is needed: while the company is trying to develop offers for existing customers, it should concentrate to acquire at the same time as many customers as possible. This is the product centric side of the strategy, and it is needed in order to offset losses from the retention one.

Moreover, customer centricity might allow the company to better identify the real cost of new customer acquisition, indicating where to search for new customers and increasing

the number of positive referrals from the acquired customers. This word of mouth process would allow it to acquire new customers at lower cost. At the same time, it would overcome the problem of misleading calculations when measuring the real net gain from customer acquisition. Often companies find difficulties in rendering this value reliable, simply because it is not easy to trace the cost of acquisition with a product centric mind in which measurement systems are based on product performance rather than the value of the customers.

1.2.5. Customer retention and development

Following a research of Brightback (A. Camerino, 2020), 93% of interviewed experts state that the customer retention is equally or more important than customer acquisition. More specifically, 63% of the interviewed believe that customer retention has higher priority than customer acquisition. This is in line with another study which discovered that 68% of the business arises from existing customers (SAS and Loyalty 360) and that acquisition of a new client is 5 times more costly than the development of an existing client. This is in line with the customer centric thought and gives tangible proofs of its efficacy.

Considering the importance of customer retention, it would be appropriate to go through the way a company should pursue this strategy. When customers have been acquired, the company must focus on increasing the value of new customers and on maintaining their future value as stable as possible. The practices to implement this are the retention and development processes. Retention is pursued by ensuring customers remain in the company as long as possible. Development is achieved by increasing the value of those customers. However, keeping valuable customers loyal is arduous. 80% of a company's future profits will represent just 20% of its existing customers (Peter Fader, 2018). For this reason, it is paramount to identify who company's "best customers" are and to satisfy at best their needs while forecasting best customers' future desires. However, there is a degree of risk in pursuing this action. For this reason, this risky operation must be balanced by lower risk categories of assets which are the lower value customers, the same way in which a financial portfolio investment works. This point reminds the fact that the company should not forget "unworthy" customers, since they are the "safe" source of

revenues of a customer centric strategy. While the company is not able to extract too much value from each of those, grouped together they represent a great source of revenue. The question is how much the company should concentrate its efforts in developing unworthy customers. It is important to give priority to the best customers, and when investment in increasing their value arrives at a point of diminishing return, it is the moment to shift attention to the next lower tiers (Peter Fader, 2018). But, as the author underlines, the company should be aware of the fact that it would be improbable they will become top-tier customers.

Given this assumption, it is helpful to suggest how development strategy can be applied to valuable customers. Two of the most common and effective operations are cross-selling and up-selling, since development concerns extracting additional value from existing customers by offering attractive options to company's best customers. Cross-selling is useful considering the fact that existing customers are willing to try new products offered by the company 50% of times more than new customers, following what Peter Fader states. For this reason, the company must ensure all those customers are aware about all the options available. The higher the value of the customer and the longer it remained in the company, the higher the probability it would try other products. As a consequence, investment in cross-selling is paramount. On the other hand, up-selling is related to premium services such as Amazon Prime. This is an example of transformation of customers from non-contractual to contractual ones. However, usage of contractual strategy should not be the case in all the industries and in all the type of companies. For sure, throughout contractual strategy it would be easier to trace data related to the single customer, understanding which customers are still active and it would be more simple to calculate the typical customer centric KPIs, but the company should not necessarily choose this direction if it does not fit with its business strategy.

Moreover, a distinction between development and retention according to the type of customer (high value customer versus low value customer) can be drawn (Peter Fader, 2018). Starting from the development of high value customers, as mentioned before, premium offerings could be an effective strategy. Through premium offerings it is difficult to transform low value customers into high value customers. On the contrary, for customers that have acquired a high value, the company should offer additional options

rather than the traditional service, because they are the only ones that are willing to pay an extra for it. Instead, when it comes to the development of low value customers, the best strategy is the loyalty program. Awarding the customers for the number of times they made a transaction is effective for this category, considering that they would have bought the basic offer many times in any case, and in this way they are incentivized to do so from the same company. When it comes to retention of high value customers, Peter Fader underlines the importance of strategic account management, which is the process of building strategic relationships with valuable customers, making this relationship company's main concern. It deals also with forecasting and solving problems of their best customers. At last, with regard to retention of low value customers, customer service is a good strategy: being reactive to normal customers' problems is the only way to retain them. Through the customer service strategy companies cannot extract too much value from customers, since to do so they have to delight them, which is different from solving their issues. On the other hand, it is an easy way to receive less valuable customers' interest, assuming that they would never become more profitable than the normal.

1.2.6. The importance of CRM in a customer centric strategy

Customer relationship management is the organizational structure helpful to create and capture more value from a company's customers. It concentrates on gathering data about each customer and using that information in order to allocate resources properly. Specifically, the CRM helps to understand who their valuable customers are, estimating the value of customers, segmenting them appropriately, and adapting marketing activities to each segment created (Peter Fader, 2018). However, the CRM often does not work effectively since it is more focused on systems rather than on customers, it could overestimate the real value of clients since it has not deeply analysed customer behavioral patterns and treats them as undifferentiated buyers. Instead, what CRM leaders must do is to spread customer heterogeneity concepts throughout all the departments.

CRM is extremely useful when it is in line with the internet revolution enabling it to continuously transform the manner customers purchase and use goods. Companies have turned from a selective approach based on the well-known "data lake", where the aim is

to capture as much unstructured data as possible, towards a process of making sense of data during the analysis. For this reason, the CRM has to know which are the relevant data elements. Moreover, it has to understand the basic variables to calculate customer value. Specifically, in order to be in line with a customer centric strategy, as Peter Fader suggests, there are some actions CRM has to pursue properly. Firstly, it has to ensure customers are defined in a reliable way in the CRM system. It is paramount to be aware of what each customer represents for the organisation, whether for example it is a buyer, a user or an individual decision maker. It is important that those data are assigned properly to the customer and are not double counted. Secondly, Fader suggests making every transaction the customer carries out with the company as traceable as possible, incentivising for example the use of an app, so that the information received about the customer is more reliable and detailed, allowing to make better marketing decisions tailored to him. Third, it is important to properly allocate costs to the single customer, for example, costs related to a big campaign, usually are divided proportionally across the number of customers which have been involved in the marketing project. It is important to trace those costs in relation only to customers that have been acquired thanks to this campaign. Then, CRM has to cooperate with the finance and accounting department in order to define the appropriate discount factor for the customer lifetime value measurement which will be discussed in another section of the chapter. Finally, CRM should take the responsibility to establish the key performance indicators able to calculate in the most representative way the customer value of the company. This is paramount in order to have a clear idea of the changes that take place over the years in terms of customer satisfaction.

1.2.7. The omnichannel business model

Thanks to advances in technology barriers between physical and digital have become weaker, giving the possibility to adopt an omnichannel strategy in which both environments can coexist and integrate one with each other (Choudhury and Karahanna 2008). It has become a normal practice for customers to collect information about a product in one channel (e.g. on the physical store) and purchase it in another channel (e.g. on the website). This represented a great opportunity for companies to interact with customers in a coherent and fluent way throughout different channels at the same time.

The multichannel strategy is a revolutionary concept, considering the fact that in the past physical and digital environments were considered competing options, without giving the chance to integrate them for a complete shopping experience.

After this premise it is necessary to understand which is the relationship between this new trend and the customer centric strategy. Reporting a Peter Fader's quotation "Omnichannel gives organisations a strategic capability to get closer to their customers they couldn't even have imagined 20 years ago". The most important reason is linked to the fact that companies, by implementing the omnichannel business model, are able to track consumer attitudes throughout both online and offline places at the same time, in a coherent and reliable way. In this manner companies can gain exhaustive knowledge about each customer enabling better shopping experience (Y. Chen et al., 2018). Moreover, it has been shown that customers that are subject to a multiple channel experience related to the same company tend to have higher levels of satisfaction and loyalty (Wallace et al. 2004). Moreover, following a research carried on by Liu et al. (2018) followed by the subscription of the Push-Pull-Mooring (PPM) framework, the integration of different channels has been attributed to the possibility of reducing uncertainty, increasing brand attractiveness and reducing customers' switching costs in the omnichannel environment at the same time. The result of the research follows the thought that an omnichannel business model can decrease the propensity of consumers to find other alternatives and improve retention. Moreover, thanks to an analytical analysis of Big Data together with the omnichannel strategic implementation companies gain higher capability to understand which are their "best customers" and differentiate them from the "normal" customer base.

The relationship between the omnichannel business model and the focus of this thesis is critical in order to understand the importance of technological advances in the effectiveness of the customer centric strategy. Technologies can be exploited in different ways and in different business strategies, for sure the omnichannel is the most popular in this decade.

1.3 Importance of measuring the customer satisfaction

A customer centric strategy is effective whenever measures related to the improvement in customer satisfaction are implemented and considered at the same level of others key performance indicators. The reasoning lies always in what characterises this strategy from the product centric one: the latter focuses on KPIs related to product performance, the former deals with customer value. And the value of the customer is obtained mostly with customer satisfaction. The management literature considers customer satisfaction as a basic performance but at the same time a standard for greatness for any company (Gerson, 1993). Furthermore, customer satisfaction measurement incentivises employees to concentrate its effort towards increasing customer value.

More specifically, Gerson summarises 6 reasons why customer satisfaction should be measured (R.F. Gerson, 1995):

- To understand customers' opinions;
- To understand customers' needs and expectations;
- To establish some standards of performance;
- To close the gap between quality perceived and quality delivered by the customers;
- In order to decide future actions;
- To begin a continuous improvement process.

In other words, customer satisfaction becomes a critical part of the strategic decisions for customer centric companies, being the consolidating action of loyalty. For this reason, companies started to understand the benefits arisen by the improvement of customer satisfaction measurements. The positive effects are clear: higher margins, lower costs, brand image improvement. It would be also interesting to understand what the negative effects of its opposite are: the customer dissatisfaction. To some extent, it is more important to pay attention to customer dissatisfaction rather than customer satisfaction, since often customer dissatisfaction has different articulated effects on customer purchasing decisions.

As a consequence, it would be appropriate to clarify how dissatisfaction arises and what are its main effects according to the literature. Expectations are the pre-purchase thoughts about a product. The gap between expectation and actual result is termed disconfirmation. Outcomes that result better than the expectations are represented by satisfaction, while outcomes that emerge as worse than expected result as dissatisfaction. According to a study on e-commerce customers (Yu. Lu, Ya. Lu, B. Wang, 2012), dissatisfaction has great direct and indirect impacts on repurchase intentions. Moreover, it has considerable impact on negative emotions. This leads to the conclusion that customer behavior can also be guided by negative emotion during re-purchase decisions. At the same time, negative emotion has direct impact on psychological distancing, complaining behavior, and looking for social support. All those effects have important influences on repurchase intention. Moreover, dissatisfaction is the engine of the negative World of Mouth (WOM) effect. Some researches highlight the fact that WOM has higher impact than advertising activities since consumers have higher propensity to trust to this type of source. So, as positive WOM results in greater purchase effect, negative WOM deriving from dissatisfaction gives more possibility to decrease sales and even re-purchase decisions (Buttle, 1998). Finally, dissatisfaction has been shown to have a higher impact on consumer switching intentions, which represent the extent to which purchasing behavior is discontinuous. Dissatisfied consumers are more probable to switch than satisfied consumers (Loveman 1998).

1.3.1. The customer delight principle

Beyond the simple difference between satisfaction and dissatisfaction, throughout the literature it has been spread the thought about a clear distinction between customer delight and customer satisfaction, this has been accompanied by empirical evidence that those two elements have different effects on customer behavior. This is important to understand also in the context of customer satisfaction measurement, in order to render results even more effective and articulated. From the earliest discussion about customer delight principle emerged two main points of view (D. C. Barnes, A. Krallman, 2019). The first is the definition of customer delight as an extreme form of satisfaction. More

specifically, there is a clear distinction of range whether a customer is considered dissatisfied (the value delivered is well below the expectations), satisfied (the value fits with his expectations) and delighted (value exceeds the expectations). What has been considered a critical issue among the literature is how delight should be measured. The most common practice has been to use the maximum point of customer satisfaction to figure out delight. For example, only the respondents who answered 10 on a 10-point satisfaction scale were represented as delight. The major challenge has been found in the definition of whether satisfaction ends, and delight begins. As a consequence, a second point of view represents delight as a separate distinct element. Specifically, it is defined as an extremely positive emotion deriving from one's expectation surpassed to a remarkable rate. From this assumption delight has been associated with two specific emotions, surprise and joy (Plutchik, 1980). The latter definition enables one to define a scale immediately available, avoiding the problem of identifying a numerical division between satisfaction and delight.

When it comes to drawing a comparison between customer satisfaction and customer delight, there have been many contrasting opinions in the literature. For instance, customer delight is related to willingness to purchase in contrast to website satisfaction (Bartl et al. 2013). Moreover, customer delight can better predict repurchase intentions than satisfaction (Meyer et al. 2017). Even more interesting, customer delight has been defined as having a higher degree of tolerance to failure than customer satisfaction (Collier et al. 2018). Furthermore, customer delight is considered to have a strict relation to self-spreading world-of-mouth, as opposed to customer satisfaction.

It is important to highlight the distinction between satisfaction and delight in order to make some customer centric measures, which will be described afterwards, more effective. The reason lies in Finn's suggestion to consider satisfaction as the initial goal of the company. Nevertheless, at a given time, firms have to change focus towards customer delight, that is when return on satisfaction begins to decrease (Finn 2005).

1.3.2. Customer segmentation according to a customer centric strategy

The first and one of the most important steps for measuring customer satisfaction deals with the implementation of an effective customer segmentation strategy. As it has been highlighted in the previous paragraph, not all customers must be treated equally in a customer centric strategy. Moreover, there are customers who “matter” more than others. Clearly, this has to be taken into account also in the pursuance of customers’ segmentation. Dividing customers according to their value is not a straightforward activity. However, fortunately the use of some customer centric reference measures such as the customer lifetime value would help to directly guide towards the correct way of pursuing this operation. Afterwards, will be discussed the meaning and the implications of this KPI.

At this moment, it would be appropriate to highlight the point of view of Peter Fader (2019) in relation to the customer centric segmentation. To be precise, rather than giving a guideline of how to act, it is a word of caution about avoiding some practices: the usage of demographic segmentation and personas. Actually, he defines those two measures “antiquated” and even “flawed”. At first, demographic segmentation arose at the end of the 1940s when there was no possibility to gather immediately available and reliable data, as a consequence it was logical to associate it to a remarkable discovery. For the first time, customers could be classified according to a rational reasoning, and actually this method gave tangible results. For instance, in 1945 Chevrolet was the first automobile company to launch a campaign dedicated to women. This is because, thanks to demographic segmentation, it has been able to discover that women represented a significant factor in the automobile purchasing decision. Before that moment the importance of women’s role in automobile selection was more than underestimated. However, as Fader states, from a customer centric perspective this is not a marketing success. The reason is intuitive: demographic segmentation considers the members of the same demographic group as having equal purchasing behavior and, more importantly, having the same potential value. In the following decades demographics became the main practice, not because it is effective, but because it was the only way marketers were able to generate a logical division of customers. Peter Fader defines demographic segmentation as flawed since the customer lifetime value of each customer within the same demographic group is highly

different. The only favorable correlation between the CLV and demographic is that usually the CLV of older people segment is higher than CLV of younger ones, but this difference is minimal compared with the divergences that result in terms of customer value within the same demographic group.

When it comes to personas marketing strategy, which deals with customer association to some figures prepared previously by marketers, Fader draws a similar opinion. Marketers consider personas as a reliable representation of what are the customer's real characteristics. Instead, Fader states that personas are another way to classify customers according to a superficial criterion, which is not able to represent the real value of customers. He adds that, if segmentation would be coherent with a revenue-centric perspective, demographic and personas are the wrong appliances. The tool to implement is the CLV. The use of customer lifetime value in the segmentation strategy is helpful to create reliable personas. More specifically, Fader suggests that the result will be a number of customer segments so differentiated that no specific personas would emerge. On the other hand, some groups will have many similarities. For instance, the highest CLV group will be mostly represented by educated women around 30 years old who earn a specific range of money per year. However, there would be another portion of customers within the same CLV group with completely different characteristics, for this reason the definition of a specific personas cannot be drawn.

1.4. What are the most important measures for customer centricity?

Having clarified what are the main implications of the customer centric strategy, it would be opportune to go through the focal theme of the thesis: the most useful measures of customer centricity. The first important key measure is the customer lifetime value which, as it was clear in previous paragraphs, is useful in different dimensions of the customer centric strategy implementation. Secondly, customer equity will be defined, being a step forward of the application of the CLV. Finally, the Net Promoter Score will be described, which is the most operational measure in a customer centric perspective within the domain of the measurement of customer satisfaction.

1.4.1. The Customer Lifetime Value

The CLV is the main unit of reference for customer centricity. CLV is needed to construct the value customers deliver to the company, releasing both an individual and collective result. It provides the criteria with which the company decides to concentrate effort and invest money to acquire new customers and allows to allocate effectively marketing resources throughout the overall customer base. CLV is defined by Fader as “the present value of the future (net) cash flows associated with a particular customer” (Peter Fader, 2012). It appears to be a simple formula, however there are misunderstandings in what CLV or in what is not. As a consequence, Fader underlines the specific characteristics of this measure as follows:

1. CLV is a forward-looking concept. CLV is often baffled with past profitability, however when considering CLV a company has to use a future perspective. The company must not be concentrated on how much money a specific customer spent the previous year, but on how much value this customer will deliver in the future to the company. It is about predicting how much money this customer will spend tomorrow, next week, next month and next year. CLV is often confused with past profitability because actually there is a correlation between those two measures: past profitability can provide some clues about how much a customer will spend in the future. However, it is important to consider those measures as two separate ones.
2. It is essential to use only relevant data to calculate CLV. It is important to allocate costs properly to the CLV calculation of the single customer. Usually, costs required for the CLV formula are the acquisition costs, however Fader suggests considering only those costs directly traceable to the acquisition of the customer. He stresses about this point for the fact that often marketers consider it appropriate to allocate all marketing and advertising money spent, but in this way the CLV outcome would result as flawed. Imperfections in the calculation would lead to a misleading result of the customer value, in turn the allocation of costs for customer retention would mess up. The reason lies in the fact that, from a customer centric perspective the company has to rely on CLV data to pursue future decisions about how much effort to concentrate to retain a particular customer.

3. CLV calculations are predictive, not precise. Fader clarifies that in his opinion, even though all the precautions are taken when considering costs to add in the formula, the result would never be precise. The reason deals with the high variability involved with the reasoning about CLV, which would never allow a perfectly objective answer. Imprecisions can arise in a contractual firm where churn rate and retention rate can be calculated, and even more in a non-contractual firm where those variables cannot be extracted.

4. Different methods are used to calculate CLV in different kinds of business settings. There is a clear distinction in the calculation of CLV between contractual companies and non-contractual companies. More specifically, it is easier to calculate the CLV for a contractual company considering the fact that the churn rate and retention rate can be accurately defined. On the contrary, those two variables cannot be equally considered by a non-contractual firm. The reason lies in the fact that real churn rate can be delineated only when a customer has pursued a subscription, on the contrary for a company it is more difficult to understand precisely whether a customer has churned or not. With the subscription the company can keep track of the churn rate every time a customer drops the subscription. Instead, in a non-contractual firm, customers can make repeat purchases and at some point, decide to abandon without giving track of their decision. For this reason, Fader states that there are complications in CLV calculation, especially in companies such as non-contractual firms where it is difficult to track some important variables. Therefore, companies must be cautious when they think they have achieved “the perfect number”.

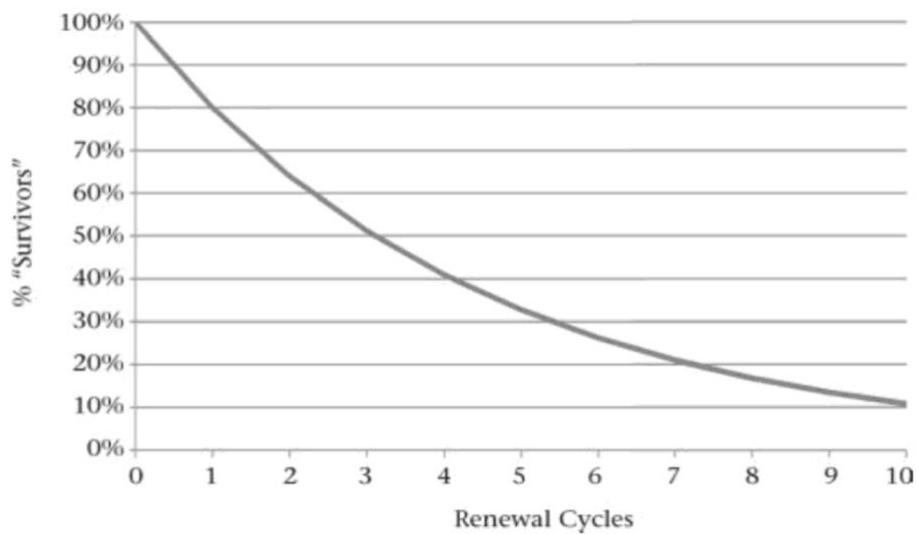
Having clarified the peculiarities of the CLV it would be appropriate to go through the utility of this measure. As it has been previously explained the main aim of the CLV is to obtain a number that represents how much a customer is worth for the company. However, it is not the only reason why it can be used. Firstly, it allows to classify customers into segments, as anticipated in the previous paragraph, separating the worthiest customers into different segments and differentiating them from “everybody else”. Moreover, it allows us to understand what the best marketing activities could be to devote specifically to the right customers, and that probably would be different and of

“higher quality” in comparison to the ones destined to the less valuable customers. CLV can be very useful also to forecast how particular customers could behave in certain situations in the future. Finally, it is highly important in order to concentrate at best the effort to retain and develop the customers which “deserve” it.

Moreover, Fader underlines the fact that often companies calculate the CLV in the wrong way, especially from a customer centric perspective. CLV should be used to celebrate customer heterogeneity, on the contrary sometimes companies use the average result of all the customers’ CLV in order to provide a unique outcome of customer value. From a customer centric viewpoint, this practice provides nothing meaningful: arriving at an average number of CLVs of customers does not allow us to understand which are the customers that value the most and which are the lower value ones. It would not be helpful for the segmentation strategy.

In order to explain CLV reasoning, Fader takes the example of a contractual firm whose CLV usually relies on the retention rate. The application of the CLV deals with the probability a specific customer will remain for a determined time period. For each retention period it is identified whether the customer leaves or remains. Therefore, for instance if the company wants to know the probability a customer will stay in the company for four time periods, it will have to calculate the probability the customer remains four consecutive times. The result will be a theoretical survival curve whose decline is gradual, as in Figure 1.1.

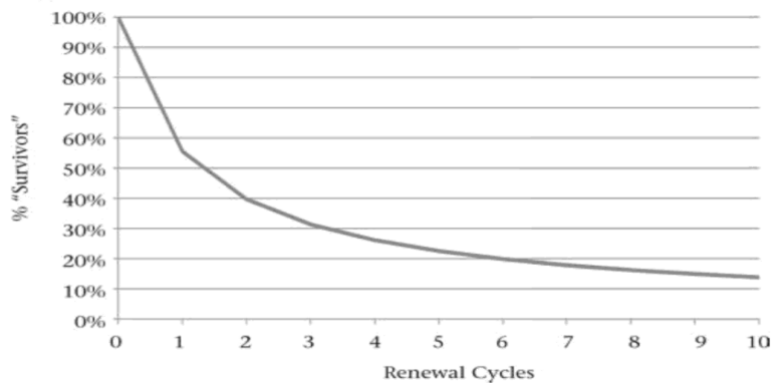
Figure 1.1. Theoretical Survival Curve



Source: Peter Fader, 2016,
“Focus on the Right Customers for Strategic Advantage”

However, in reality the survival curve does not decline in a steady way, on the contrary a sudden huge decline takes place, and then an unexpected flattening follows, as shown in Figure 2.2. The distinction between what is not true, the first figure, and what is instead reality, the second figure, leads to the conclusion that segmentation can be helpful in measuring CLV. Through a deep understanding of what are the valuable customers and the ones that are not, it can be stated that some customers have higher retention rate than others. The impossibility to have a unique retention rate number given these behavioral differences among customers justifies the reason why the curve can never be steady. Moreover, the sudden drop of the curve is explained by a significant number of customers with low retention rate (low valuable customers) who decide to leave, and the following steadiness of the curve represents the number of valuable customers with a high retention rate who made the decision to stay for a long period of time.

Figure 1.2. Real-World Survival Curve



Source: Peter Fader, 2016,
“Focus on the Right Customers for Strategic Advantage”

Instead, when it comes to non-contractual firms, as previously mentioned, they could not rely on retention rate and churn rate. For this reason, there are higher issues in CLV calculation. The main one deals with understanding when a customer actually left the company, don't having the need to drop a subscription. Some companies such as Amazon use to consider a customer's death after one year when they have made no purchase. However, it can be premature. On the other hand, a customer actually could not deserve attention simply because it is not a valuable customer. Nevertheless, the way to overcome this problem, three variables can be considered: recency, frequency and value of money spent per transaction. Those variables are the ones defined by Lester Wunderman and other developers of direct marketing, throughout the frequency-recency-monetary value (Peter Fader, 2005).

1.4.2. The Customer Equity

The main goal of customer centricity is to maximise customer financial value. As a consequence, equity has to be constructed following this perspective. In general, equity represents the sum of both tangible and intangible assets a company acquires. More specifically, the sum of the financial assets such as cash and operational assets such as technology and human capital results in the total equity. This is the traditional and the most straightforward way to interpret total equity. However, recently experts have begun

to look at it in a more articulated way, reasoning about the fact that equity cannot be summarised only in two types of investments. They agreed to consider two additional silos.

The most one accepted is brand equity. Clearly, it is the perfect representation of a product centric company, being the celebration of the product throughout the brand expression. In this equity silos there is the clear assumption that the company is able to clearly measure the value of its brand or brand portfolio. More specifically, every logo, brand name, awareness and reputation are considered to have a financial value. Some well-known product centric companies such as Coca-Cola are sometimes even considered to have higher brand equity than the value of all the total assets grouped together. Fader specifies that this could be a risky affirmation, but actually brands like Coca-Cola have clearly a very strong brand value, such that any other assets a company owns take second place. For this reason, nowadays companies can add their brand to the assets of their balance sheet. In this instance Peter Fader is not arguing that brand equity, being the highest celebration of product centricity, is misleadingly considered one of the most recognized CPAs, but he states that is not given equal value to the other innovative equity silos: customer equity. Moreover, he adds that it is very difficult to obtain a precise value for brand equity. Especially when it comes to the need to provide a ranking of different companies' brand values. The reason lies in the fact that measurements criteria used by each company to calculate brand equity are many and they are very different from each other.

However, he is confident about it for the fact that interest in customer equity has begun to increase. He states that even CFOs are starting to think about customer equity as more suitable on the balance sheet than the ambiguous value of brand equity. They start to see value from the customer perspective rather than customer perspective, looking at customers as single profit centers that enable companies' growth. They are appreciating it since, while brand equity is still a nebulous calculus, customer equity is actually quantifiable. It can be considered as part of a company's assets and can be used to generate future company's growth. Fader suggests that customer equity is the center point of customer centricity, every successful customer centric company attribute to it primary importance, being "the sum of the customer lifetime values across a firm's entire

customer base. As in general a company's objective is to increase total equity, a customer centric company should have to concentrate its efforts to maximise customer equity.

However, Fader underlines the fact that there are some types of companies whose business strategy or organisational structure does not fit with customer equity usage and feels more comfortable with brand equity. For instance, companies like Apple and Coca-Cola would never renounce the primacy of brand strength in favor of a customer centric orientation. On the contrary, there are many companies whose strategy could be successful even thanks to the usage of customer equity perspective rather than brand equity ones. In this instance, Fader suggests a sort of classification of companies depending on their predisposition towards one equity silos or the other:

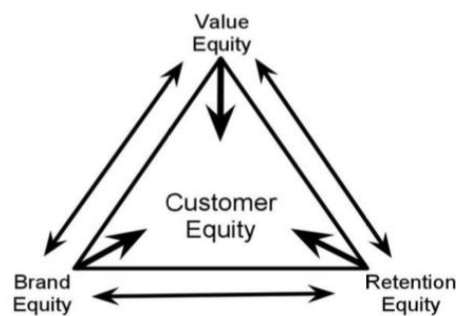
- Contractual firms would have higher probability to maximize value of customer equity. On the contrary non-contractual firms would fit better with brand equity;
- Companies that sell personalised offerings would find more value in customer equity. Companies that are more “commodities” providers would find brand equity more suitable;
- Companies that base their business strategy on building long term relationships with customers will find more value in customer equity.

Clearly, those distinctions are a generalisation, some companies could find in the middle or on the opposite side from what it is stated in those definitions. However, they are useful in order to understand that companies must choose the equity silos that best fit with their business strategy.

Nevertheless, there are some lines of thought which argue that brand equity itself enhances customer equity growth. As a consequence, customer equity and brand equity are not mutually exclusive during the calculation of equity calculation. More specifically, Rust et al. (2000) argued that customer equity is constructed by three components: value equity, brand equity and relationship equity (M. Tosses Tellez, S. Mazhari,2011). Each variable works both autonomously and collectively. Value equity is defined as “customers’

objective assessment of the utility of a brand based on perceptions of what is given up for what is received” and the engines of this equity silos are quality, price and convenience (Rust et al., 2000, p.56). On the other hand relationship equity is the “customers’ tendency to stick with the brand, above and beyond objective and subjective assessments of the brand” (Rust et al., 2000, p.57).

Figure 1.3. Customer Equity Drivers



Source: Rust, Zeithaml & Lemon, 2000, p.57

The reason why brand equity influences customer equity lies in the fact that brand awareness has a key role in quality perception, positive image and emotional value. In turn those variables allow to increase customer loyalty towards the company, increasing their retention rate so lengthening customer lifetime value.

1.4.3. The Net Promoter Score

The Net Promoter Score (NPS) is the third very important metric for a customer centric strategy. More specifically, it is the easiest to implement, since it does not require to mobilise balance sheet operations as it is in the case of customer equity. On the contrary, it can be readily put in place by asking customers their feedback. For this reason, this metric is commonly used by many companies to measure customer experience. In the experimental part of the thesis, it will be the only measure taken into account, even because the company that will be considered as case study in the thesis is entering in the NPS world and it is still unprepared to be involved in the intricate CLV's variables.

Reichheld (2003) invented the NPS with the aim to solve the poor previously existing satisfaction and retention measures: there was not a good predictor of company revenue growth in his opinion. Reichheld discovered the existence of a strong correlation between NPS and company growth rates in many industries he studied, arriving at defining this measure as the most precise way to quantify loyalty and predict company's value growth (P. Mecredy, M. J. Wright, P. Feetham, 2017). This statement has been criticised by Keiningham et al. (2007), discovering that Reichheld references for NPS calculation were variables related to the past, rather than considering actual or future growth rates. As a consequence, Keiningham et al. (2007) argued that customer satisfaction was a better measurement than NPS for current growth, instead Morgan and Rego (2006) stated that it was better when it comes to future growth rates. However, the debate is still open and present research is providing evidence that the NPS could actually predict revenue growth for the existing customer base. This evidence is strengthened by the reasoning that growth in customer's revenue is correlated to the extent to which the individual becomes a promoter, devoting more money in the following year. Reichheld replicated the claim of Keiningham et al. (2007) stating that NPS was not effective in some of the industries he studied. In particular, he underlined that NPS was not applicable in predicting growth rates in monopolistic industry and for niche companies. In conclusion of this replication, Reichheld pointed out that the NPS in determining growth cannot be universally accepted. However, for the majority of the cases, it is a successful predictive measure of customer value growth.

As anticipated, the NPS can be derived directly from customer answers to some questions provided by the company. To each question customers should bring an answer that will successively be classified according to three categories. More specifically, customers should define their degree of satisfaction indicating a number within a range from 1 to 10. Clients indicating points from 0 to 6 would be defined as "detractors" (dissatisfied clients). The ones that indicate points from 7 to 8 are assigned to "passives", and if they associate their satisfaction to grades from 9 to 10 are defined "promoters" (satisfied clients). The NPS result would be a number ranging from -100 to +100 deriving from the difference between percentage of promoters and percentage of detractors. The final result is the company's degree of customer satisfaction. The NPS is a word-of-mouth (WOM) metric, since the number would conventionally answer one question "How likely is it that your

company would recommend [company X] to a friend or colleague?”. After capturing customer feedback, the next activity is to close the feedback loop. This means that customers' feedback must be shared to the frontline staff. This would incentivise changes in behavior towards customers, in a relatively immediate way. Moreover, closing the loop allows frontline employees and leaders to analyse and address issues arisen from customers in a collaborative way. However, feedback findings are difficult to be translated into concrete actions. The outcome may be even misleading: a research shows that many customers define themselves “satisfied” or “very satisfied” soon before they leave the company (R. Markey, F. Reichheld, A. Dullweber, 2009). This is because sometimes making valuable customers spend time to share their experience can lead to highlighting critical issues and this causes frontline employees to concentrate on fixing their problems rather than maximising effort to extract more value from them. As mentioned in a previous paragraph, even Peter Fader states that the customer service strategy is not effective with valuable customers as it is for less valuable ones. For this reason, the primary activity must be deeply understanding how much value each customer has, and then allow the frontline staff to act according to this analysis. For this reason, the aim of the NPS should be asking the right customers in the right time for feedback, so it seems natural and appropriate to them. Therefore, it allows to get the right customer in a comfortable way to speak honestly, and then processing in the organisation in almost real time so that front line employees learn from customer feedback and see all the experiences that led to that feedback (Reichheld, 2020). Digitalisation for sure has sped up the engagement process, however Reichheld states that digital experience does not solve all the communication requirements. There are moments in which customers still need human contact, and the company must provide it. The aim is not only to reach satisfaction but also to provide an intelligent and differentiated service, and this is achieved only by combining human communication with digital tools. According to a recent research of Reichheld, in which NPS leaders making pressure to delight customers were identified industry by industry, it resulted that those NPS based companies have been able to outperform good companies by factors of 5 or 6 times. This means that those companies were able to beat the average total shareholder return by 3 times. Consequently, “you can identify greatness by looking about what customers are saying about a company, not what the wall street wizards are saying about it” (Reichheld, 2020). Following this principle, the primary purpose of the business is not to maximise

shareholders' value, but to enrich the lives of customers. This is a very customer centric view. For this reason, the duty of the leader should be to put the frontline teams in a position where they can achieve that mission and be recognised and rewarded when they leverage well the value of the right customers.

After having clarified the main characteristics of the NPS, it is paramount to analyse the effect of WOM with the NPS, since it is the main tool to acquire new customers. WOM is customers' unofficial way of communicating about a product, company, service or brand. More specifically, Reichheld (2003) suggests that NPS can be a useful loyalty metric based on customers willingness to recommend a company to a friend. WOM about a product or service could be both positive and negative. East et al. (2008) suggest that negative WOM is less frequent and has a lower effect on purchase intention than the positive one. The aim of NPS usage can be to enhance positive WOM growth or favor negative WOM decline, actions that are clearly represented by the NPS formula: promoters net of detractors. WOM effects on customers' actions are considered several, one of those is the impact on consumers' responses to a product (Keiningham et al. 2007). For this reason, many companies have decided to abandon traditional marketing activities in favor of WOM; it costs less, it is interactive, it is fast, and it has a higher sense of credibility. Trustov et al. (2009) states: "world-of-mouth marketing is a particularly prominent feature of the Internet". From that thought eWOM acquires an important meaning, being "any positive or negative statement made by potential, actual, or former customer about a product or company, which is made available to a multitude of people and institutions via the Internet". On the contrary, impact of off-line WOM is circumscribed to local boundaries of social networks and declines fast over time and distance. Instead, eWOM is fast, convenient, and possible for an indefinite period of time, and can expand far away from the local area. In general, WOM has proven to be beneficial in customer decision-making and purchase behaviour (Kumar et al. 2010) and with the involvement of social media in marketing activities, eWOM this effect is becoming stronger.

Moreover, NPS coherency with a customer centric strategy lies in its ability to identify loyal customers. Loyalty, following the customer centric principle, is a crucial variable enhancing a company's profitability, by increasing customer lifetime value, and in turn boosting customer equity. On the other hand, some researchers consider customer loyalty

as a way to reduce cost of service (Wernerfelt and Fornell, 1987; Reichheld and Sasser, 1990) and to increase purchasing decisions to buy other products from the company (Reichheld and Sasser, 1990; Zeithaml, 2000).

It would be appropriate to extract some results from a research that analyses whether promoters denote the behavior theorized by Reichheld, in which loyal customers actually buy more and increase their purchases over time. Data were based on a company providing BtoB service to New Zealand primary products industry. More specifically, this company relies on its brand to enhance customer engagement. Throughout the research NPS question was implemented in the form of a questionnaire provided to actual customers in a range of time of five years.

Figure 1.4. Descriptive statistic for NPS and company revenue

Year	n	NPS	Rev. Index (t - 1)	Rev. Index (t)	Rev. Index (t + 1)
2010	-	-	-	100	121
2011	317	-9%	100	121	130
2012	965	11%	121	130	142
2013	725	11%	130	142	152
2014	377	19%	142	152	167
2015	401	12%	152	167	-

Source: P. Mecredy, M. J. Wright, P. Feetham, 2017

Figure 1.4 exhibits the aggregate descriptive statistics for NPS and company revenue. Based on the data shown, NPS demonstrates a positive correlation with past (r-1), current (t) and future (t+1) revenues.

Figure 1.5. Descriptive statistics for NPS and the average spend of customer base

Year	n	NPS	Avg.spend (t - 1)	Avg.spend (t)	Avg.spend (t + 1)
2011	311	-9%	35.80	36.20	42.20
2012	922	11%	36.75	42.64	41.10
2013	703	11%	41.28	39.15	38.71
2014	370	19%	41.17	39.29	-
2015	401	12%	39.83	-	-

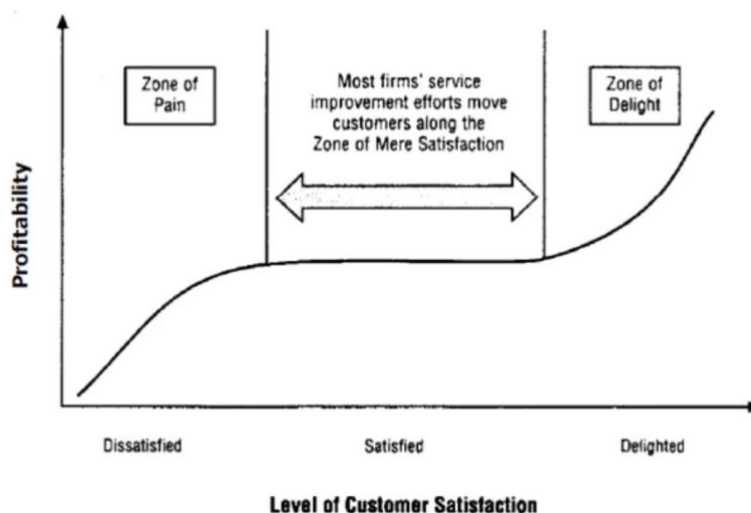
Source: P. Mecredy, M. J. Wright, P. Feetham, 2017

As well, when it comes to the relationship between NPS and the average spend of the customer base (Figure 1.5.), the NPS demonstrates to have a positive correlation with past and current average spend, but a negative correlation with future average spend. The negative result for the last variable explains that customers that buy substantially in one year are more likely to recommend the service; on the other hand, they have low probability to keep an equal level of purchases in the following year. This research, with the premise that it provides weak statistical consistency, allows to conclude that NPS is actually a predictor of past, current and future company revenues as well as its positive association with average spend from the same customer base, on the contrary of what claims against Reichheld theory stated. Moreover, promoters (loyal customers) buy more than detractors, in the current year and at a lower degree the following year. In conclusion, even though NPS is not considered by the literature the best predictor of revenue growth, it can be considered a better customer satisfaction metric than others in terms of ease of use. This is because it is able to immediately and punctually measure positive WOM, which in turn is assumed to have a great favourable effect on revenue growth.

Other researchers believe in the efficacy of NPS implementation, but they also believe that companies fail to use it properly. One of the reasons lies in the fact that managers consider promoter scores as being equivalent across customers. More specifically, promoters, passive, and detractors considered for the NPS calculation are treated as homogeneous groups, providing a general result representing “the group” without taking into account the differences between individual customers involved in the survey. This could create fallacies for different reasons. The first is that this reasoning is not in line with the celebration of heterogeneity that is always put at first in a customer centric strategy. Secondly, it could interpret NPS as a general measure of intention to recommend rather than a mechanism to find out the actual WOM behavior (East et al. 2008). What customers assert, how people actually act, and what they assert and do at the same time can give different outcomes (Chandon et al. 2005, Sheeran 2002). As a consequence, not all the customers who say that they would recommend the company actually do so, rendering NPS relevant in explaining WOM behavior. Third, a lot of data is lost in calculating NPS. For instance, all the numbers from 0 to 6 are associated with detractors, in this way the

information that distinguishes customers that do not want to recommend the company from the ones who have no preferences on recommending it or not is lost. For this reason, managers would have more information if they consider the single number rather than considering the range in which this number is found i.e. detractors' range. Another problem is related to the relationship that managers attribute to the NPS with profitability. In general, the literature advocates that customer satisfaction is beneficial for a firm in terms of profitability. However, this positive correlation justifies partially the relationship between value and performance, something that is not taken into account by managers, who look at the relationship between profitability and satisfaction as a straight line. So, there is the immediate belief that if the company keeps rising customer satisfaction, profitability constantly increases as well. Instead, as shown in Figure 1.6, many companies could find themselves in the flat part of the curve, where they increased customer satisfaction, but they are not actually able to increase profitability to the same extent.

Figure 1.6. The Customer Delight Principle



Source: Keiningham and Varva, 2001

When companies are able to move a step forward, they are reaching customer delight³. However, few companies are able to reach this stage, because it requires extraordinary customer service. And only in this case increase in profitability will be proportional to the

³ <https://sites.google.com/site/courserabusanalytics/>

increase in customer satisfaction. Concluding, a large number of companies will remain in the flat zone and as a consequence they would not be able to increase profitability with customer satisfaction. This would not prove that customer satisfaction has not any impact on profitability, instead it actually influences it but not in a linear way. And it is very difficult for companies to achieve this goal if they are not able to delight customers.

1.5. The Kano Model

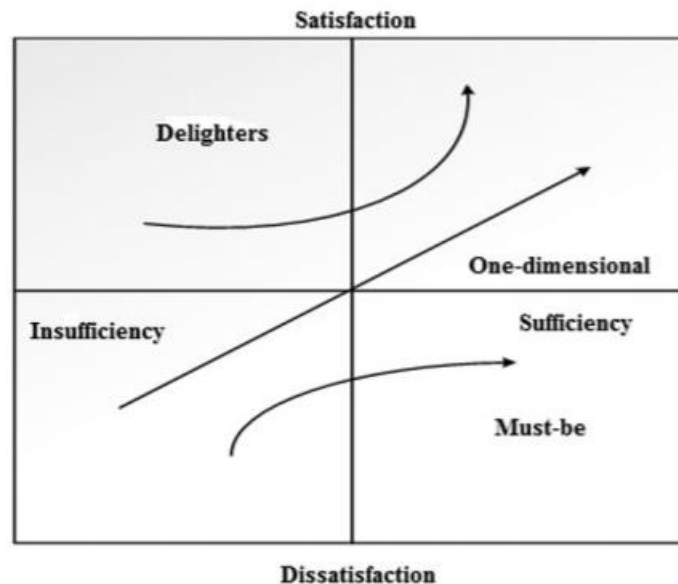
Noriaki Kano (1984) developed a model that could classify and order customer needs with the aim to provide the companies with structured suggestions for future product development. This model is perfectly coherent with a customer centric strategy, basing the customer expectations at the center of product or service design.

The model is based on a graphical representation involving the x and y axis, where x is related to the variable of the extent to which the attribute offered is considered positively or negatively by customers and the y axis represents the customer reaction to the product or service, ranging from disappointment to delight. Moreover, the model divides product features into three categories that reflect different types of customer needs and can lead both to satisfaction and dissatisfaction situations:

- Basic features: also known as “must-be requirements”, they are linked to the essential needs, the ones that if are met do not create special satisfaction for the customer, but if they are not satisfied, they create an important disappointment. In this case the product or service is unlikely to be sold.
- Performance features: they are related to those requirements that customers explicitly ask to the product or service providers. They are the ones that validate the “more is better” rule. If explicit needs are met, they generate satisfaction and differentiation from competitors. If they are not possibly met, they generate dissatisfaction, but at a lower extent in comparison to the basic needs.
- Attractive features: they are linked to the hidden needs, the ones that customers could not explain because they don’t even know how to own them. Since hidden needs are

unexpected, there is no dissatisfaction if they are not met, but if they are satisfied, they generate outstanding delight.

Figure 1.7. The Kano Model



Source: L.J. Rotar, M. Kozar, 2017

When developing a new product or service, it is essential that the first category of needs is met, there is no alternative. The peculiarity of the “must-be requirements” is that they are several, they represent 90/95% of a company’s effort in product or service development. However, they can be easily identified if the company knows the client. When it comes to the performance needs, they are not expected to be compulsorily present, but they are the ones that creates differentiation from competitors. The characteristic of those needs is that they are not necessarily related to the core competency of the company, so they can be satisfied only if there is ability to “think out of the box”. At the same time, they can be easily anticipated if the same type of need is explicitly requested by several clients. At last, the attractive needs are the most difficult to identify but they are the ones that generate the “wow” effect.

Chapter 2: **IMPLICATIONS IN THE INTRODUCTION OF CUSTOMER SATISFACTION INDICATORS**

Following the theory discussed in the previous chapter, it is apparently simple for a company to implement the tools necessary to act coherently with a customer centric strategy. Indeed, the integration of the Net Promoter Score is not difficult to put into practice, especially when the decision to provide an annual survey to the customers has already been taken. When it comes to the other two metrics, the customer equity and the customer lifetime value, it requires much more complex data than a simple survey, but once those data are ready, the process of implementation should be straightforward. However, two biggest challenges are how to deal with the introduction of KPIs that are new for a company (the customer satisfaction KPIs in the case of a company choosing a customer centric strategy) and how to integrate those KPIs with the already existing ones i.e. the traditional indicators of business performance. For this reason, the aim of this chapter is to go through what the literature discusses about those two themes of interest.

2.1. Challenges in developing new KPIs

Developing reliable and well-structured measurement systems is a critical stage in the evaluation process, since the role of those systems is primarily to support management teams focusing on the elements that could create competitive advantage and new opportunities for the firm. As a consequence, the KPIs are strictly related to the achievement of objectives and of the organizational mission (B.M. Popa, 2015). Dennis Mortensen defines clear characteristics that a good KPI should own: it represents the organizational goals, it is established by the management, it creates meaning for all the organization's departments, it is based on reliable data, it is straightforward to interpret, and most importantly, it leads to action. A common problem with the identification of new KPIs is that there is the tendency to overuse those indicators, however only the most necessary KPIs must be chosen, the ones that are closest to the objective set. Another common mistake is the action of choosing the KPIs depending on their ease of measurement, overcoming the priority of identifying the most reliable ones that most of the times are not immediate in calculation. Companies should measure only the ones that help to make better decisions, reducing uncertainty, and having a clear goal. The challenge

is to understand what variable could be measured in the organization in order to show which improvement has been made related to the objective set by the company. Indeed, in order to design a KPI the company should answer the question “what is needed to be known”, which is commonly known as the Key Performance Question (KPQ). Therefore, the KPI should be coherently linked with the KPQ in order to allow the correct collection of data needed to implement the organizational strategy to be implemented. Moreover, the KPQs should not be generic and should always be related to the specific domain of the objective. The importance of identifying the most suitable KPIs lies in the main reasons why companies should design them:

- To verify if the organizational activities are coherent with the objective;
- To gather data needed to make progresses in the pursuance of the objective;
- To monitor the people performing the activities;
- To provide consistency of data in the reports destined to the external shareholders.

2.2. How to integrate customer satisfaction indicators with other existing indicators

Identifying the KPIs according to the new strategy in the proper way allows companies in transition from a product centric culture to a customer centric one to ensure they are actually recognizing as important data the ones that will guide at best the future strategic decisions necessary to achieve the new objective i.e. become a customer centric company. However, another problem arises when companies must legitimize those indicators within the organization by correlating them with the business performance. In other words, the challenge is how to justify the financial performance of the company with the results from the customer satisfaction improvement. This correlation is fundamental in order to avoid losing the primary objective: to make profits from selling products and services. The risk is to focus on providing additional features and services to their customers but fail to receive prices that cover costs for those additions. In this framework, Kaplan and Norton (1992) introduce the Balanced Scorecard Approach to measure customer profitability. The model aims at supporting the strategic management by

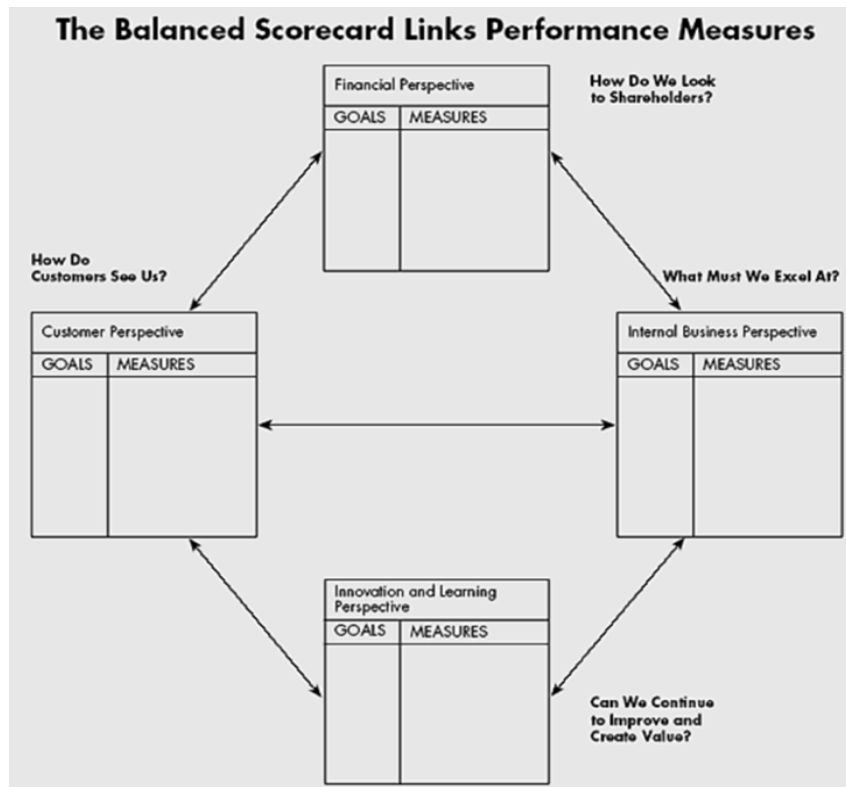
translating the mission and the company's strategy in a coherent set of performance measures, specifically providing balance between financial indicators and non-financial factors that would allow the company to achieve higher competitive and sustainable results. In this model existing causality linkages between different involved dimensions are suggested. The Balanced Scorecard allows to identify four important perspectives of the business and provide a question to each related perspective:

- How do customers see us? (customer perspective);
- What must we excel at? (internal perspective);
- Can we continue to improve and create value? (innovation and learning perspective);
- How do we look to shareholders? (financial perspective).

This framework allows to minimize information overload by decreasing the number of information collected. Moreover, it forces the company to consider all the apparent disparate dimensions of a company's planning in a unique interrelated system: becoming customer centric, improving response time, increasing quality, motivating teamwork, managing for the long-term and so on. Secondly, it allows us to give priority to all the dimensions at the same time, avoiding neglecting some of them. Kaplan and Norton illustrate specifically how companies can create their own balanced scorecard.

This model requests initially to define the organizational vision, and the related definition of the company's strategic objectives. Those objectives should be translated into four pillars of the value creation, represented by the four perspectives of the balanced scorecard. Consequently, critical factors related to the objectives' achievement of each perspective and the related indicators should be identified. Afterwards, target values that the company expects to achieve for each parameter of performance should be measured, and each objective will be assigned to a manager that will have to reach it through proper actions.

Figure 2.1. The Balanced Scorecard



Source: R.S. Norton and D.P. Kaplan, 1992, Harvard Business Review

For instance, when it comes to the customer perspective, the Balanced Scorecard requires that managers achieve their customer orientation implementing specific measures that represent the factors that are reliable to customers. According to Kaplan and Norton, customers' claims can be grouped in four sets: time, quality, performance, and service (how the company's products or services enhance value creation for customers), and cost. To implement the model, companies should translate those categories into specific goals for the company e.g. improve customers' time to market. Then managers must identify appropriate measures for each goal. This should be implemented for each of the three remaining perspectives. Having taken the example of customers' dimension, it would be appropriate to go through the theoretical explanation of the other perspectives.

When it comes to the internal business perspective, all the processes that create the highest impact on the value creation and on the consolidation of market relationships e.g. products innovation processes or the distribution process. The metrics used will measure

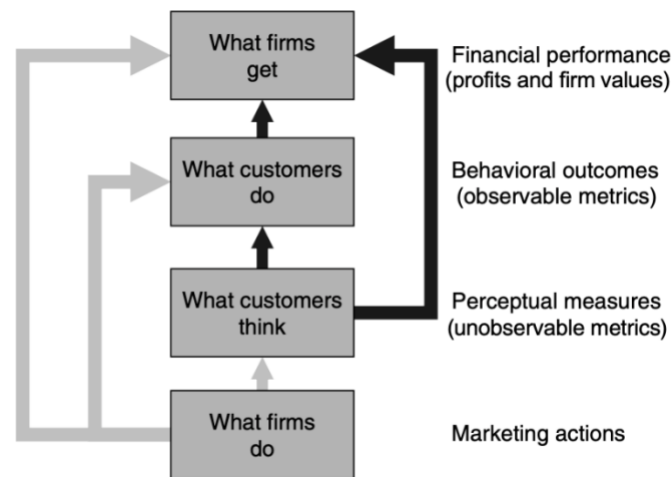
the efficiency and effectiveness of those processes and whether products and services meet clients' expectations.

The innovation and learning perspective involve the propensity of the whole organization to improve throughout continuous learning. This perspective looks at the company's capability to adapt depending on the changes in the market due to external forces. This capability is translated into the company's ability to create value for customers and shareholders. Therefore, the indicators useful to consider this organizational dimension involve the employees' satisfaction level and employees' loyalty level, the level of personnel training and proficiency, the capability to transfer the knowledge and the level of excellence of the information systems.

The financial perspective involves shareholders' expectations. The Kaplan and Norton Model emphasizes the necessity to monitor the traditional economic-financial parameters, but it requests to balance this type of indicators with the other perspectives.

This model would allow companies to integrate the customer orientation objective with other business objectives by conferring on them the same priority, however it does not explain which is the impact of customer metrics on financial performance. In this context, Gupta and Zeithaml (2006) suggest dividing customer metrics in two categories. The first is the set of observable measures that represent the behavior of customers during the purchasing decision or consumption of a product. Those behaviors, that take the form of decisions, are typically translated into customer acquisition, and retention. The second category represents the unobservable constructs which involve customer perceptions such as service quality, attitudes such as satisfaction, or behavioral intentions such as intention to purchase. Unobservable constructs tend to be omitted in the customer value calculation because they are difficult to identify, but they are strictly linked to observable behavior, which is the one that leads to financial return. For instance, satisfaction could lead to repurchase behavior, which means increase in revenues and profits. This process is clearly shown in Figure 2.2. The ones already explained are the measures related to the value delivered to the client. These are different from the measures of customer value, which are the customer lifetime value and customer equity (already discussed in the first chapter).

Figure 2.2. Customer Metrics and Their Impact on Firms' Financial Performance



Source: S. Gupta, V. Zeithaml, 2006, Marketing Science

Despite the strong correlation between unobservable constructs and the observable measures, due to database and CRM developments, companies tend to neglect the non-observable analysis and create a direct link between the company's activities, the observable measures and organizational financial performance (Gupta, Zeithaml, 2006). This is because it predominates the belief that a metric that cannot be directly linked to financial performance is unreliable.

However, the analysis of customer value requires defining some indicators associated to general results deriving from a well-structured strategy. According to Gupta and Zeithaml model those indicators are divided in:

- Indicators that express the level of satisfaction and loyalty of the customer (unobservable construct);
- Indicators that allow to define customers' behaviors e.g. cost of acquisition, customer retention and the cross-selling analysis (observable metrics).

The indicators related to the unobservable metrics which most of the researches have dedicated attention to are the *customer satisfaction* and the *customer loyalty*. The

company must pay attention to those two indicators, whose measurement represents feedback about how much customers perceive the value received by the company. Customer satisfaction is defined by Oliver (1997) as an emotional reaction to a personal evaluation emerged immediately after the purchase. Initially, studies assumed that customer satisfaction could be mechanically quantified identifying the gap between customer expectations and customer perceptions after the usage of the product or service. Currently, the research has evolved into direct measurement approaches of satisfaction throughout quantitative and qualitative methodologies. Many scholars demonstrate that companies which have higher levels of customer satisfaction are the ones with the highest economic-financial performance in relation to their shareholders. When it comes to customer loyalty, Jacoby and Chestnut (1978) divide this concept in two dimensions: the attitudinal dimension (attitudinal loyalty) and the behavioral one (behavioral loyalty). The first is related to the customer tendency to repurchase a specific brand, the second the relation between the client and the brand is based on continuous purchase due to the fact that choosing an alternative would cause a superior loss of value, in terms of time and costs. In this instance Reichheld (2003) suggests that in order to measure customer loyalty the company does not need complex measures: the only information to gather is the intention of customers to recommend the company to other potential clients (the question of the Net Promoter Score).

On the other hand, indicators related to the observable behaviors are needed to provide additional feedback necessary to reformulate the strategic objectives related to the customer management. The first indicator is the *customer acquisition*, which is related to new customers' behavior on the first purchase of one or more products offered by the company. Depending on the strategy the company will decide to implement, it will be decided which customers to acquire. The second is the *retention rate* which represents the probability of repurchase made by existing customers. A very satisfied and loyal client will contribute to reach high customer acquisition results. This is one of the key statements proving the correlation between unobservable constructs and observable behaviors. At last, since most of the time acquisition of new clients generates huge costs, companies tend to maximize their economic returns generated by existing clients implementing for instance the cross-selling strategy. This tool is related to the company's attempt to sell complementary products in relation to already existing clients' requests.

This implies to put in practice the identification of quantity and product category purchased by each single consumer in order to know their purchase behavior and to choose a customer target to which dedicate the cross-selling strategy.

Considering what has been already discussed, and what Kaplan and Norton declare, indicators suggested for the analysis of the results obtained in relation to the client's component in the business model must be observed from a causality perspective. For instance, customer satisfaction will increase loyalty, which in turn would allow for increased customer acquisition. Increase of customer acquisition would be consequently translated into increase in revenues, hence more profits. Having analyzed those variables, the company should establish the objectives and the indicators related to them to implement a plan. In this way the strategy will be effective in the value creation for the client and will lead to the possibility to prove differentiation in relation to competitors, and to obtain the feedback needed for the improvement of the related activities. Concluding, the definition of the objectives and of the indicators related to the client's component in the business model allow to obtain quantitative and qualitative results that can be well-understood by all the members of the organization, so that in turn improvements according to that information can be achieved.

Chapter 3: ESPRINET CASE STUDY: PECULIARITY OF THE BUSINESS SECTOR

The aim of this chapter is to accompany the description of Esprinet's company with an explanation of the peculiarity of the business sector in which this company operates. Specifically, the first paragraph provides a framework of the business which the case study is mainly involved in and how the company is organized in terms of business units and divisions. Once it has been understood the main business characteristics of Esprinet Group, it would be appropriate to go through the general implications of an IT distributor operating in a business-to-business sector. This would be helpful to clarify the consequences of these implications on customer value definition, action needed by a company pursuing a customer centric strategy.

3.1. The company

Esprinet Group is a wholesale distributor of advice solutions and consumer electronics products dealing with the Italian, Spanish and Portuguese markets. The company was founded in the 1970s and it was listed in the stock exchange in July 2001. The core business is related to the distribution of IT products (hardware, software and services) and consumer electronics. Nowadays it provides more than 600 brands, including Apple, IBM, Toshiba and Lenovo. When it comes to Esprinet market growth, according to Context data it has been a re-established leader in the IT distribution sector, increasing its market share by 1,5% in Italy, by 0,2% in Spain, and remaining almost constant in Portugal. Esprinet positions itself as the leading European company in the sector, acquiring 26% of market share in the Southern European market and reaching annual revenues of 4 Billion Euros in 2019.⁴ Its main competitors are Mcr Info Electronics, Synnex, Avnet, Ingram, Tech Data, and ComputerGross.

Esprinet represents a point of reference and encounter for producers, vendors and technology users. It provides more than 130.000 technological products, having a network of more than 1.500 partners and more or less 25.000 clients who work with the company in Italy and belong to different segments: they are small dealers, big system integrators, value added resellers, GDO, GDS, and independent computer shops. Not only

⁴ Esprinet Sustainability Report, 2019

products but also several services are offered, in order to provide a complete solution to customer needs and increase business possibilities. Firstly, Esprinet provides Esprivillage shops, which are points of sales where qualified commercials are present, in order to support the client in the management of the business. Another service offered is e-webCLUB, a web partnership program that allows dealers, with a small amount of investment, to develop a marketing and business electronic activity. Moreover, Esprinet provides finance offers for its partners and clients in order to reduce the risk chain.

The mission of the company is to “be the best technology distributor operating in its relevant markets, assuring shareholders above-average return on investment thanks to precise, serious, honest, fast-footed, reliable, and innovative management of the customer and vendor relationship, achieved by closely attentive enchantment and exploitation of its staff’s skills and innovative capabilities”. On the other hand, the vision of the company is to “simplify the life of people and organizations”. Esprinet believes in the value of technology since it improves the quality of life, for this reason it is strongly committed to expand and facilitate its distribution and use.

Esprinet organizational structure is based on two separate divisions representing the two markets in which Esprinet operates. The first is the consumer division which deals with the segment of consumer technologies. The second is the business division which deals with the company’s relationship with vendors and resellers and aims at delivering value not only providing solutions but also generating sales opportunities to the BtoB dimension. The consumer division sales channels are the following:

- Esprivillage: they are the Esprinet’s 17 points of sale with a self-service model which provides products related to the Information Technology and Consumer Electronics World.
- Nilox: it is a company founded by the Esprinet Group operating in the Information Technology and Consumer Electronics sector dedicated to the segments of IT resellers, VAR, System Integrator, specialized shops, physical retailers, and e-commerce retailers. More specifically, Nilox is one of the most well-known brands of sport & outdoor technology products, Action Cam and hi-tech mobility on “two wheels”.

- OK retail: it is an instrument of the Esprinet Group related to the retail world that aims at simplifying the business management and allows to concentrate more effort on the sell-out opportunities thanks to the provision of different solutions.

On the other hand, the business division operates throughout the following sales channels:

- V-valley: it is the company founded by the Esprinet Group with the aim to offer value added distribution and provide complex technologies that revolve around several services including data center, server, storage, networking and security to Dealers, VAR, and Software House System Integrators.
- IT volume & Tender and Office Products

Those two divisions have different development and investment plans, with separate operational areas for the communication and commercial activities. The objective of the consumer division is to increase market share, both in the retail sector and in the consumer electronics product dimension. The ones of the business division is to stress on advanced solutions and the cloud.

3.2. Peculiarities of the business in which Esprinet operates

In general, the IT and Electronic products distribution is divided in direct systems (Tier1) and indirect systems (Tier 2). The first one allows suppliers to directly reach the final user of the technology, in contrast the second ones are characterized by the involvement of first level intermediaries, or “distributors”, and second level intermediaries, the “re-sellers”. Consequently, the subjects involved in the distribution chain are several. Firstly, the “vendors” are involved in the initial step of the distribution chain, being the technology and/or Information Technology producers which operate with their own brand. Secondly, the “distributors” are needed to provide services related to logistics, storage, financial credit and marketing. In turn, distributors can be divided in:

- “Broad-spectrum” distributors, characterized by a large product range and high turnover;
- “Specialized” distributors, that represent the point of reference for the specific technologies of products, including intermediate systems, networking, Internet and consulting services, training and assistance.

At last, the “re-sellers” are the final intermediary between the distribution chain and the final user. They are codified according to the customer segment they are dealing with and to the type of services and solutions offered together with the sales of computer systems. The most common customer categories are the following:

- VAR: a value-added reseller is a company that integrates features or services on an already existing product with the aim to sell it to the end user, sometimes as a component of a bigger product;
- Corporate Reseller;
- System Integrator: a specialized company that deals with the activity of integrating different plants with the aim to create a new functional structure that could make all the original plants work synergically with functionalities not existing before;
- Dealer;
- Specialised Retailers of office and consumable products;
- Large-Scale Retail Trade: type of distribution in which goods are made available to a large number of consumers;
- Sub-distribution: activity of purchasing products from a distributor and selling them to retailers;

- Computer shop;
- Shop on-line.⁵

Esprinet in the distribution chain plays the “distributor” role, being the business intermediary between vendors and retailers.

The peculiarity of the business in which Esprinet operates where, as described before, different economic agents are involved, makes the customer centric strategy more difficult to implement in relation to BtoC companies. The reason lies in the fact that, the first step of a customer centric strategy is to analyze the type of customers the company operates with, and if this is difficult to put in practice for a basic BtoC company, in which the client is always the final user, for a BtoB company operating in a market such as the one of Esprinet Group, it is even a greater challenge. The way clients behave and the kinds of needs they have, are different depending on the type of relationship they established with the company. Esprinet as a distributor deals with clients that play the role of vendors in the market, at the same time it operates with clients that are retailers in the distribution chain. The needs of vendors and the ones of retailers are completely different, and this paramount difference is not present in BtoC companies where customers are on the same side of the market.

Another interesting point of discussion about the effect of the nature of Esprinet business on the customer satisfaction analysis is the relationship between BtoB companies and the Word-of-Mouth (WOM) effect. A logical but misleading reasoning is that it is unlikely that WOM effect is generated in BtoB companies, since sharing the information about a good service received by a distributor to its competitors would be the last action a client such as a company is willing to do. On the contrary, the literature states the effectiveness of a positive WOM effect on sales for a business-to-business setting as well as a business-to-consumer one. For instance, Dye (2000) argues that a positive buzz increases sales, whereas a negative one could decrease sales also in BtoB companies. He states that marketers could supply icons of the related sectors, which are usually trend setters or

⁵ Bilancio Esercizio 2019 Esprinet S.p.a.

opinion-leaders, creating a positive murmur to increase customer loyalty. According to this assumption, on the contrary of what is believed about the BtoB sector, Referral Marketing can be a successful instrument. The world of mouth effect is naturally generated throughout the delivery of a good service, since, whenever a client is satisfied, it can share a positive report about the company. Referral Marketing has the aim to amplify this natural effect pushing clients to share positive referrals in exchange of specific benefits. This activity starts from the customer satisfaction, this is another reason why a customer centric strategy could be as well effective in the business-to-business dimension. Customer satisfaction is paramount, since in order to implement a successful Referral Marketing, the request of referral should be asked to a specific segment of customers: the ones that are extremely satisfied from the service they have received. Clearly, only the customers which own this characteristic would be able to deliver a strong positive WOM effect. To identify this customer segment the Net Promoter Score is helpful: it allows dividing customers between extremely satisfied (“promoters”) and ordinarily satisfied (“passives”). This is because the “promoters” are the ones which attribute the evaluation of the company to the grades between 9 and 10, which is a very high parameter of evaluation. Those would be the ones to which the company would ask about a positive referral. Those extremely satisfied clients would become the ambassadors of the company, and referral marketing would allow to stimulate this operation. Once those ambassadors are identified, the next steps would be to think about effective benefits to deliver to customers in exchange of a positive referral and the exact moment in which the company would ask to share the referral. Those actions should be implemented after a predetermined project of Referral Marketing: the company should establish clear and punctual procedures, so that both marketing and sales department is aware exactly about which client to ask the referral and in which moment to ask it.

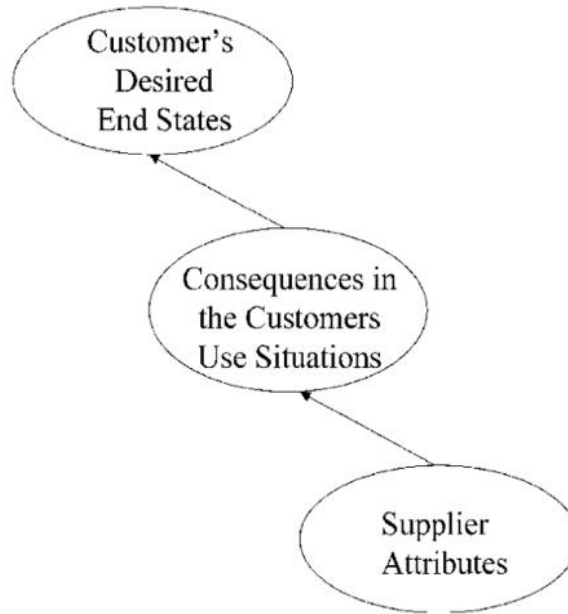
3.3 Analyzing customer satisfaction in a business-to-business context

Business-to-business suppliers or distributors face more difficulties than traditional business to consumer companies in dealing with the linkage between customer value and performance. The reason lies in the fact that, as explained in the previous paragraph, it is challenging to identify who the key customers to which deliver higher value are and what type of value do they want. The first problem is that suppliers/distributors are aware that

value demanded by business clients is influenced by the needs of downstream customers (R. B. Woodruff, D. J. Flint, 2016). Secondly, although suppliers/distributors are aware of which customer organization to target, it is difficult to establish the prominent persons inside customer organizations that have the highest influence in decision making when it comes to the relationship with the supplier/distributor. Decision on supplier/distributor choice may be taken by purchasing, engineering, manufacturing, quality assurance areas. This creates limitations in establishing a reliable desired value by customers. The third problem is related to the fact that suppliers/distributors face competition from their customers as well as other players in the sector i.e. customers could take the decision to get rid of the intermediary (in the case of a distributor) or the supplier to carry on the distribution service or the manufacturing activity by their own.

Considering the peculiarity of business-to-business relationship, the customer value assumes specific characteristics. A theoretical concept that describes customer value in a business-to-business context is the customer value hierarchy (Gutman, 1982; Woodruff, 1997; Woodruff & Gardial, 1996; Zeithaml, 1988), where it is presumed that attributes are desired by customers only when they lead to consequences that allow to implement customers' expected own usage situation. For instance, customers want on-time delivery (attribute) to ensure that a planned production run takes place as expected (consequence). Therefore, consequences are the effect of product/service usage and those outcomes can be either positive or negative. The third component of the customer value hierarchy is the customer's desired end state, which is the goal that customers want to achieve, such as increasing profits, improving company's image or being an innovator. Consequently, clients choose the suppliers according to their ability to facilitate a positive use consequence that allows to achieve in turn an expected end state. The customer value hierarchy concept transfers customer value from the world of the supplier/distributor (attributes) into the dimension of the customer (consequences and desired end state). This leads to the conclusion that clients see higher value than just attributes offered by the supplier/distributor.

Fig. 3.1. A Customer Value Hierarchy



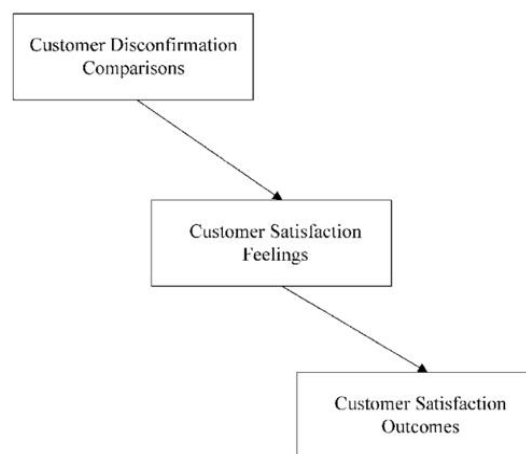
Source: R. B. Woodruff, D. J. Flint, 2016, Emerald Insight

Applying this theory specifically to a business-to-business concept it explains that the business customers look at value according to two main categories: the functional value i.e. the product and service features, and the relationship value i.e. the quality of interaction. There is a third category which is the dynamic nature that could exist in the customer value, which takes place when customers change their perceived value from suppliers. For instance, clients could confer increasing emphasis on relationship value as different suppliers are perceived to deliver the same functional value. When it comes to changes in customer value, Flint Woodruff and Gardial (2002) revealed the presence of tensions within BtoB customer organization caused by urgency, anxiety, and panic which lead to the willingness to change what they value from their supplier/distributor. Those tensions are in turn originated by external forces, such as from changes in customer's market or within the customer organization e.g. change in top management. Those pressures impact the customer value hierarchy leading customers to search for new consequences that will lead to the same desired end state. For instance, customer managers may be willing to hold less inventory (a new consequence) to lower down costs (another consequence) in order to increase profits (still existing end state). As a consequence, customer value changes in relations to the supplier/distributor.

According to this theory companies in the role of suppliers or distributors should understand what actually the customer end state is, in order to offer the proper attribute that in turn would lead to the related consequence. Once discovered the customer end state, the next step of the process is to understand how well customers perceive that they are receiving the value they desire, and this can be known through Customer Satisfaction measurement. In this context, Woodruff and Flint (2016) describe a well-accepted theoretical model of Customer Satisfaction, which includes three steps (Fig. 3.2.):

- Satisfaction Feelings: customer's personal opinion about the value offered by a supplier or distributor (Woodruff, 1997);
- Satisfaction Outcomes: satisfaction feelings incentivize customers to behave in a particular way in the market, the ones that feel satisfaction are more likely to buy again, spur positive WOM and increase loyalty (Jones & Sasser, 1995; Oliver, 1997);
- Disconfirmation Comparisons: customers evaluate positively or negatively a performance comparing it with some standards. For instance, they make a comparison between the supplier/distributor and its competitors for the value they perceive to receive, but comparison can be made also with the value they desire to receive, or the delivery promised by the supplier/distributor. Satisfaction feelings depend on the result of the comparison.

Fig. 3.2. Customer Satisfaction Model



Source: R. B. Woodruff, D. J. Flint, 2016, Emerald Insight

Considering the relationship between customers' feelings and outcomes the supplier/distributor should know why the satisfaction index is high or low in order to evaluate its performance. For instance, the supplier/distributor could ask customers to evaluate it according to on-time delivery performance, product quality, ease of ordering. Specifically, if the supplier/distributor wants to know how well it is performing on a value dimension, customer value data must guide satisfaction measurement. This will provide data on perceived performance of the attribute offered. The problem is the fact that most of the satisfaction measurement implemented nowadays is limited to the lowest level of the customer value hierarchy: it is usual to choose only attributes as point of reference for satisfaction measurement, and this may not lead to fully understanding how customers actually perceive that they experience value consequences. As stated, the value perceived by the customer is quite different from the attribute offered by the supplier/distributor.

3.3.1. Customer value determination in a business-to-business context

In order to determine customer value within a business-to-business context Woodruff and Flint (2016) provide some suggestions as well. First, the supplier/distributor has to decide which customer organizations to target, identifying who in a customer organization are the key decision makers. This identification process represents the highest challenge, and if the company is not able to implement it, there would be no other solution to discover customer value from its clients. Secondly, not all the business customers provide the same value in terms of sales opportunity for a supplier/distributor. It might be useful to segment customers according to those differences, in order to be able to personalize the offer according to those segments. Differences in customer value can be understood looking at functional and relationship value. Some customers may be willing to receive only functional value. The supplier/distributor choice of those types of customers would depend on product availability, quality, delivery, and price. Other clients may be willing to receive both functional and relational value: the offer they expect would comprehend relationship services such as market analyses of their own end customer to support them in the research of new opportunities. At last, more dynamic customers could be grouped in a different segment from the ones whose value changes less frequently. For

the latter segment, it is paramount to always deliver the same value level, since making a modification would lead to negative effects (negative consequences in the Customer Value Hierarchy).

Problems in the identification of customer value in the business-to-business context, besides the identification of key decision makers in the company, can arise in different manners. At first, suppliers/distributors may use experience with customers to implement the analysis, but especially periodic interactions may lead to misleading results. Secondly, supplier/distributor’s managers may not agree with each other on the customer value. However, even if a compromise is reached, differences between what supplier/distributor thinks and what customers actually expect may be different. Those discrepancies may arise from a misleading identification of the customer’s desired end state and the importance attributed to it. For instance, a supplier could believe that one-time delivery to a customer is translated into three weeks after the supplier receives the order, but for the customer it is actually 15 days after the order. A correct way to identify customer value is proposed by Woodruff and Gardial (1996), who identify a model called Customer Value Determination (CVD), which involves four customer value information:

Fig. 3.3. Customer Value Determination



Source: Adapted from Woodruff and Gardial (1996), Know Your Customer

1. Identify customer value dimension: this can be discovered through focus group interviews, in-depth personal interviews, observations and variations.
2. Evaluate customer value dimension for strategic importance: established according to supplier's criteria. For instance, a value dimension can be important because it has been discovered that a customer's supplier/distributor choice depends on that dimension. One of the techniques used to support the decision is the direct scaling of importance or the regression of buying criteria based on different results such as retention rate or share of purchases.
3. Customers' perceptions of received value: identified through customer satisfaction measurement. In this case the survey is the most common tool to implement.
4. Explore causes of value delivery problems: poor results may be analyzed throughout additional focus groups.

The Customer Value Determination process is based on the customer value hierarchy concept in the sense that establishing customer value is translated in the research of attributes and consequences that customers are willing to obtain.

Specifically, to quantify customer value, a supplier/distributor should study the activities in which the supplier/distributor's product or service is used in order to estimate the amount of cost saved or the added value to customer from that usage over the life of the product or service. The sum of those estimates is the supplier/distributor economic worth (Anderson, Jain & Chintagunta, 1993; Anderson & Narus, 1998). To assess the customer value quantification, the customer value hierarchy model could be useful. The reason lies in the fact that, to understand the value of a product or service offered to a client, the supplier must study the consequences of using the product in the customers' operations. The correlation between consequences of use (e.g. lower maintenance costs) and costs savings and value added is clear. Moreover, the total economic worth of customer value will depend on the supplier's delivery of both functional and relationship value.

In conclusion, customer value and satisfaction investigation support business-to-business suppliers/distributors to become more customer-centric. Throughout the implementation of the customer satisfaction hierarchy integrated with the Customer Satisfaction Model and the Customer Value Determination process, a supplier/distributor is able to overcome the problems that characterize the business-to-business sector in the analysis of the customer perspective on its business.

Chapter 4: **ESPRINET CASE STUDY: ITS PATH TOWARDS CUSTOMER CENTRICITY**

This chapter is dedicated to the description of the case study's experience of its decision to change perspective towards a customer centric view. The first paragraph is dedicated to the reasons why Esprinet Group decided to follow this path and from which organisational figure this decision was born. The following paragraph goes through the organisational side of this change, both from the cultural and organisational tasks' perspectives. Considering the fact that the project follows two parallel perspectives, the employee's engagement side of the project will be described at first and the customer satisfaction side will follow. In both cases the results of the annual survey provided by the customer will be shown, but the analysis on the customer satisfaction survey will be more deepened, in order to concentrate more on the customer side of the project, being the main focus of the thesis. The clarification of this analysis would be helpful in order to understand the implications and the opportunities in the exploitation of customer feedbacks' information.

4.1. Esprinet's path towards customer centricity

Over the last two years, Esprinet acquired the awareness of the need to listen to customers. It understood that, to be competitive and acquire leadership in the market it needed to increase customer loyalty and strengthen long term relationships with clients. In other words, it emerged the urgency to shift focus from a product centric perspective towards a customer centric one. This is because nowadays wholesalers and distributors in general have been subject to a spread of competition driven by an increase of demanding customers, so an increase in customer listening was necessary. Moreover, being a big-sized company, Esprinet is structurally less flexible in favor of higher stability in comparison to some of its smaller-sized competitors. The company has evolved over the years, increasing in size, and this evolution led also to the development of a bureaucratic structure that pushed the company towards some level of rigidity but that was necessary to enhance efficiency in the operational system. This level of rigidity could be decreased substantially by prioritizing customer listening, an action that would have allowed it to become more responsive and adaptive to market needs. For this reason, Esprinet decided to legitimize the importance of customer listening by introducing a new

perspective to its values: the customer centric one. In this way, not only the customer focus has been prioritized, but also the willingness to react to customer feedback by providing winning solutions. This implied introducing the objective of strengthening customer orientation in the organization. Throughout the “be inclusive” motto Esprinet communicated its commitment to value the single customer by listening to its needs, in order to improve and aiming at excellence.

The “Customer Centricity” project finds its roots in a top executive decision. The CEO himself has decided to start the project in favor of a new philosophy, in order to change organizational approach towards a customer centric perspective. Before that moment, considering the type of business the company is involved in, Esprinet has always put attention towards both the vendor and the customer, but was not so committed especially with regards to the client. It is paramount to underline where the idea of this project implementation comes from, being a point in favor of the company. This is because the importance of top executives’ involvement in the cultural change is strongly emphasized, being considered the only way to legitimize the project and ensure the organization is cohesive and fully aware of the decision to change organizational culture. The fact that Esprinet's decision to undertake this new strategic journey comes directly from the CEO, increases the awareness of the effort that all the organizational figures must devote to the project. Esprinet recognized it, so that in most of the spots of the annual Customer Satisfaction survey that the company provides to its customers, and that will be clarified in the next paragraph, the CEO figure is present and is the protagonist in the explanation of the aim of the project. In this instance, he communicated to its customers “More listening to your needs, more personalized services, more satisfaction. This new path of improvement started exactly with your contribution”. This declaration is the explicit demonstration of his involvement.

The company’s willingness for a cultural change is clear in the new business lines Esprinet has set. Beyond growing in the advanced solutions’ segment with more commitment in areas contiguous to the offer such as the world of automatic identification, video surveillance and services, the real project that is driving Esprinet strategies is the customer experience. The CEO Cattani indeed declares “we have always been a process centric society that aims at reaching automation of processes and at good logistics and

services with retailers. Today the passage is towards the ability to make Esprinet a better place of business for clients, in a fast way and without errors. A project that we have taken seriously, re-designing processes and working on new solutions development in order to improve services”.

Moreover, driver of change is the awareness of the fact that nowadays “consumerization” of professional customer service-level expectations is becoming an operational trend in the sector. Everyday employees of resellers and retailers are exposed to the interaction with companies such as Amazon, Starbucks, Apple that are using amazing levels of customer experience as a competitive advantage. The quality of service is becoming increasingly important when the company deals with vendors. For this reason, customer experience is becoming an obligation rather than a “plus” to reach competitive advantage. This is driven by the possibility to fully integrate social communication tools with traditional office solutions such as email or ERP, send real time responses to enquiries, provide on-line solutions to match web experiences on top-rated consumer sites and access to data like never before.

Even for Esprinet’s strategic objectives of the new year 2021 Customer Satisfaction has been identified as a priority. At the beginning of the year the short-term and the long-term activities for the future have been established, and the Customer Satisfaction project has been one of the long-term activities expected to continue this year. The reason derives from a strategic reasoning born behind: being an IT distributor which operates in the B-to-B sector it is more difficult to pursue a brand differentiation strategy. The reason lies in the fact that no distributor owns exclusive products or solutions that are different from the ones of competitors, excluding some niches. Thus, IT distribution companies differentiate from each other especially for the level of satisfaction they can deliver to their clients and their vendors. Therefore, the Customer Satisfaction project allows the Group to improve positioning in relation to competitors, and consequently to increase margins. In this context, the project involved both the Business division and the Consumer division (the two product and client business areas in which the group is operationally divided as mentioned before). When it comes to the Business Division, Esprinet is committed to increasing market share, thus, throughout the Customer Satisfaction project, Esprinet would be able to differentiate itself from competitors and increase the

chance to become a point of reference in this segment. On the other hand, in the Consumer division, Esprinet is committed to increase stock turnover, being the segment which allowed the group to achieve big margins over the years, by maintaining low levels of stock and accounts payable to suppliers. In this segment the Group has reached leadership both in terms of market share and in terms of clients' perception. In this case, Customer Satisfaction means to follow the same strategy existing, being effective in allowing Esprinet to maintain its leadership image. In this context, the back office plays a critical role, having the responsibility to guarantee process stability, maintain the same cost level and allow flexibility in order to improve the customer satisfaction and to adapt to the new market needs.

4.2. The organizational change

The project on customer centricity required firstly to prepare the whole organization to the new cultural change. For a company that was born product and process centric, with tasks and routines suited according to this perspective, it is not immediate to change parameters of work towards a customer centric perspective. For this reason, before going through the customer satisfaction part of the project, the company had decided to implement specific activities to make this cultural change possible.

The first objective that Esprinet has set in its customer centric journey has been to align, not only the front-line staff, but all the organizational department. As a consequence, a dedicated channel has been established to strengthen communication on customer feedback within the organization. Specifically, Esprinet has implemented a direct communication channel where customers could share their claims to the company and that involves different organizational roles with different levels of responsibility, with the aim to drag in the most suitable organizational figures, including the role of the CEO, to address a specific problem. The customer claims that have involved the interest and the commitment of the CEO in the resolution of the problem are several, and this has generated astonishment when it comes to the clients reporting those feedbacks. Moreover, the direct customer listening channel has contributed to strengthen the internal collaboration and coordination between departments, something that would have never happened before its implementation, where not all the members of the

organization had the possibility to read all the customer reports. With the introduction of this tool all the members could read all the customer claims arriving, so that a sort of company's pressure was created in the action of responding to the claim. At last, this dedicated channel allowed different critical problems to emerge, that could be afterwards analyzed in other customer listening instruments provided, such as the annual survey. Therefore, a strong listening channel had to be established, which has been pursued throughout an annual survey implemented since the beginning of the project. When it comes to the organizational side, the primary action that has been taken was the identification of a referent for each department that could take the responsibility to ensure that all the employees act coherently with the new project established. The reason lies in the importance of defining a representative role when a new process is implemented which enhances coordination and alignment among all the units of the organization. The company concluded that the most suitable organizational figures for this responsibility were the ambassadors of each operational area of the organization: sales, marketing, human resources, technology, internal audit departments, administration's representatives, and purchasing department.

Having defined the Customer Satisfaction representative figures, the company has decided to establish regular meetings of alignment each month on the new project. Meetings involve alternatively the management and the ambassadors, and there are some cross-country meetings in order to align all the geographical units, specifically the ones that implemented the annual customer survey (Italy and Spain). Once aligned with the whole organization, each department is in charge of setting internal development objectives. Those objectives are divided in the so called "Workout" records and "Sprint" records. The "Workout" records are short-term objectives oriented towards a cultural change, as well as an improvement of performance and specific processes, and involving projects that should be feasibly developed within 3 months and that actually confer new solutions to the client. Instead, the "Sprint" records are long-term objectives that involve important projects usually requiring more time to be carried out, even because most of the time involve the investment of new technological tools to support them.

Interesting from the customer satisfaction project is the decision to undertake parallel paths within the same project: one deals with the human resources' "soul" of the company,

the other the customers' one. On the former side the project has been taken as an operative strategic action for all the employees of the organization, being engaged throughout specific benefits improving their work condition and spurring their motivation. On the latter side, engaging customers themselves, increasing their satisfaction even throughout the indirect action on the human resource side. The reason lies in the demonstration of the positive correlation between level of employees' satisfaction and level of performance and customer service, creating in this way a virtuous cycle for the socio-economic welfare of the community and emphasizing the connectivity between stakeholders. For this reason, the company has taken part in a project together with its clients and employees based on a great moment of listening, placing itself in a highly receptive mode. This activity has been identified with a specific project called "Together is Better". In other words, in order to measure the level of customer satisfaction, Esprinet has listened to both employees and clients.

4.3. Employees' engagement part of the project

When it comes to the employees' engagement, in 2020 the company has decided to put in place a structured training program dedicated to all employees with the aim to promote a real cultural change in all the organization, specifically dedicated to the importance of listening to customer needs by deeply going through the most important customer centric principles. In order to structure at best the contents of this training program, some situational focus groups have been organized with more than 100 people and involving both company's employees and customers. Those focus groups were aimed at clarifying and prioritizing useful perceptions and actions in order to support the cultural change towards the customer centricity perspective. Afterwards, the whole organization has been inserted in virtual classrooms with 687 partners and managers, in order to be involved in a real change of mindset. The project has been extended to the year 2021 and it will involve all the geographical units of Spain and Iberian Peninsula like never before.

Moreover, in the employees' engagement part of the project different activities have been put in place with the objective to improve the following elements:

- Activation of a core project with the objective to improve employee's collaboration and communication;
- Launch of the Smart Working 2.0 core project that enables all the employees to work at home in remote working mode for up to two days a week, following a meritocratic criterion. The Smart Working project has been proved to be useful during the period of pandemic emergency in 2020, allowing employees to get prepared and be comfortable with the remote way of working when forced to stay at home 24/7 during lock down period;
- Improvement of working hours flexibility, thus allowing an increase in work-life balance;
- Creation of a multifunctional place within the company for meals, breaks and informal meetings between colleagues and external visitors;
- Constant meetings for updating on company results held by the CEO.

Those objectives have been set on the basis of an Internal Survey (implemented in 2020) dedicated to employees' listening. As mentioned before, not only customers have been involved in the listening program, but also employees of the company.

4.3.1 The Employees' Satisfaction Survey

The Employees' Satisfaction Survey in the that has been proposed by Esprinet to its employees in January 2021 and referred to the year 2020 has been composed of 37 questions, both quantitative and qualitative. Participants of the survey could answer the qualitative questions by rating their preference choosing among those options: totally disagree, partially disagree, partially agree, totally agree. In the case of the NPS participants have expressed their answer providing a grade from 1 to 10. Survey participation level has been high when it comes to the employee's side: out of 1599 total corporate employees 1264 participated in the survey, as a consequence the questionnaire has received a response rate of 79%. When it comes to Esprinet Italian division, 741

employees out of 829 participated in the survey (i.e. 89% of response rate). The results that are going to be analyzed are related only to the Survey proposed in the Italian division.

When it comes to the quantitative questions, they have been divided according the following fields of investigation:

- General satisfaction and engagement: it involves questions related to the degree of pride to work in the company, whether employees are willing to remain in the company for the next 3 years, whether personal contribution in Esprinet is important for the organizational goal achievement, whether employees are satisfied for their job in the company, whether satisfaction and engagement level in the company has increased in comparison to the previous year;
- Collaboration and communication: in this case it has been asked whether the team receives useful support from the other organizational departments, the degree of collaboration within the team, whether the level of collaboration and trust between different departments has increased from the previous year;
- Customer service: in this area of investigation questions were related to the degree to which the attention over the client is considered a priority within the company, the ability to identify and quickly involve the related organizational key players for the resolution of a client's issue, the ability to react promptly to client requests and whether the customer service has improved from the previous year;
- Work and organizational efficiency processes: it is asked whether the company is able to provide the necessary tools and information in order to fulfill work objectives efficiently, the degree of autonomy necessary to carry out the work effectively, the degree of awareness of the expected results from the work assigned, and whether the head of the department takes into consideration the employee's decisions that regard his work;

- Innovation and change: in this section questions are related to the opinion on whether the Customer Satisfaction project is leading to important improvement in the way of working, whether the team encourages the employee to propose improvements and new ideas;
- Professional improvement: it is asked whether the commitment and the effort of the employee is recognized and rewarded within the company, whether in Esprinet there is a strong attention over the performance, whether useful feedbacks are received to improve the work, whether in the organization there is the opportunity to improve skills and competences;
- Work-life balance: in this case it is asked whether the organization of the smart working within the company satisfies employee's flexibility needs, whether the head of the department is available if the employees face personal issues and whether the work-life balance has increased over the previous year;
- "Together is better" (TIB) project: it is asked whether the TIB has led to a concrete process of cultural change within the company and whether the TIB is improving customer service;
- General evaluation: in this case it is asked to provide an evaluation of the personal experience in general within the company.

Moreover, two open questions have been provided in order to give employees freedom to deliver additional comments on their working experience. The first question has been settled on a positive perspective: "Which is the most important reason that drives your motivation to keep working in Esprinet?". In this case the most common drivers indicated by participants were related to the following elements: the stability of the company, the organizational climate, the smart working, the professional growth and future opportunities, and innovation spurred by the company. The second question has been arranged on a negative perspective: "Which elements not existing currently within the organization, would drive you to keep on working in Esprinet?" The most common answers were related to the following points: economics (welfare activities, wages, meal vouchers), engagement (additional leisure activities, sport activities, professional

recognition by colleagues and the head of the department), collaboration (team building), training (to support professional growth), job management and planning (dedicated spaces that enhance concentration, lower bureaucratic procedures).

In the Employees' Satisfaction Survey of 2021, the Net Promoter Score parameter has been introduced and the standard question of the NPS has been provided to its participants: "with which probability would you recommend our companies to a friend/colleague?". The same parameter has been calculated also with the results of the Internal Survey 2020, in order to make the comparison between different time periods possible. Comparing the NPS result of the survey 2021 with the one of the survey 2020 an important improvement has been evident, with a sharp increase of promoters' share and a decrease of detractors' one.

The results that are going to be clarified belong to the Employee Satisfaction Esprinet Italy's survey and are the ones related to the quantitative questions, since they are important to understand the reason for the implementation of some activities by the HR department. In this context the queries which received the highest number of positive answers were related to the following areas: Values, General Evaluation, Satisfaction and Engagement, Inclusion and Diversity. In Table 4.1. the percentages of positive answers for the specific statements related to these areas are clarified.

Table 4.1. Statements with the highest percentage of positive evaluations

% of Totally or Partially Agree Answers	Field of investigation	Question
100%	Values	"I am aware, and I agree with the new mission and new values Esprinet has set"
99%	General Evaluation	"How do you assess in general you experience with esprinet?"
99%	Values	"The top management behaves coherently with the fundamental values of the organization"
99%	Satisfaction and Engagement	"I think that my contribute to Esprinet is important for the achievement of the organizational results"
99%	Inclusion & Diversity	"Esprinet provides a positive working environment, free from discriminations and harassment"

Source: Personal Elaboration

On the other hand, questions which received the lowest number of positive answers belong to the following fields of investigation: Professional Improvement, Collaboration

and Communication, and Satisfaction and Engagement. In table 4.2. percentages of positive answers related to each statement of these dimensions are shown. Analyzing these percentages, it is clear that the company received a very positive overall evaluation from employees' side, considering the fact that the percentages of positive answers for each question in comparison to the negative ones is much higher than 50%, even when it comes to the "lowest" results. As a consequence, no important criticalities emerged from the survey, but at the same time it has been decided to prioritize some activities in response to the less positive reports.

Table 4.2. Statements with the lowest percentage of positive evaluations

% of Totally or Partially Agree Answers	Field of investigation	Question
83%	Professional Improvement	"When I do a good job, I feel my effort is recognized and valued"
85%	Collaboration and Communication	"In Esprinet the collaborative relationship between departments is based on trust"
86%	Satisfaction and Engagement	"With respect the previous year, the level of satisfaction and engagement has increased"
87%	Professional Improvement	"In the company I had the possibility to strengthen my skills and competences"
87%	Collaboration and Communication	"My team receives a useful support from the other organizational functions"

Source: Personal Elaboration

Activities in response to the results of the Survey 2021 have not been set yet, but surely most of the projects implemented in response to the annual survey 2020 will continue to persist for the subsequent year. As a consequence, these are the activities that are going to be explained as a part of the actions of improvement in response to the Employees' Satisfaction Survey 2021, not having any additional information on further activities for 2021 in the date of the survey analysis. When it comes to the economic dimension, the improvement of the organizational welfare and the work-life balance has been set as a priority. To achieve this objective the following activities have been carried out:

- Allocation of a sum of money to each employee dedicated to the support during the purchase of specific services;

- Provision of specific services in the company related to personal needs and urgencies that could arise during the working hours such as the provision of pharmaceutical products, laundry and dressmaking services.

In response to the negative feedbacks related to the communication and collaboration dimension the following actions have been set:

- Team Building and organizational meetings;
- Periodic refresher meetings on company's trimestral results for all the corporate population held by the CEO.

When it comes to the reporting related to the job management and planning it has been set the objective to simplify and lighten the bureaucratic procedures. On the other hand, to enhance professional growth, as response to the negative feedback related to it, job rotation program, shadowing, and a new training plan implementation have been identified as possible response activities for the following year.

Moreover, thanks to the commitment the HR department has devoted in improving employees' satisfaction, in 2020 the company has participated, and it has been able to obtain for the first time the Great Place to Work certification when it comes to the Esprinet's Italian division. Following the certification standard requirements Esprinet has been able to reach 74% of response rate, 85% of employees agreeing to the statement "All things considered, I would say that this is an excellent place to work", and 73% of Trust Index, which measures the level of employees' trust in relation to the following indicators: the relationship with management, the relationship with colleagues, and the proud in employees' work.

At last, in response to the Employees Satisfaction Survey 2021, the HR department decided to plan a structured training program to favor a deep understanding and the related problem solving of the particular issues emerged from the questionnaire. Specifically, thanks to the support of a consulting company, this training program involved the punctual implementation of focus groups in order to allow employees to

brainstorm about the possible solutions needed to solve problems emphasized in the survey. In this way the employees themselves would be the protagonist in the action of improvement. This brainstorming has been followed by the proposal to concretize and prioritize some projects related to these ideas.

4.4. Customer satisfaction survey

As mentioned previously, in 2019 Esprinet has started to propose to customers an annual satisfaction survey based on punctual questions to receive opinions about the service it provides. The release period of the questionnaire has been set between January and February of each year, whose questions have been related to the year just passed. Each company's geographic division (Italy and Spain) has carried on its own survey. Customers could get access to the questionnaire throughout the website and newsletters and an important communication program has been set by the marketing department in order to increase the commitment of clients year by year in the pursuit of the survey. The number of participants of the first annual survey (in 2019) which was 2644 resulted relatively low in comparison to the company's customer base but was justified by the immaturity of the project being at the beginning of its implementation. Indeed, the increase of the survey's respondents the two years after has been relevant, even though it is not enough yet to represent the majority of the company's client base (2960 clients).

The questionnaire has been divided among specific areas: relationship area, marketing/purchase area, sales area, logistics area, and web area. Each part represents a set of questions that allow us to emphasize some critical issues related to that dimension. Moreover, participants have been asked to express their preference within a numerical range from 0 to 10 and for each question they had to evaluate the "Current Situation", the situation "In Relation to the Past", and "With Respect to Other Distributors" (the other players in the industry). It has been decided to express the result of each evaluation area in thirtieths and different parameters have been used to evaluate participants' rankings depending on the category (among the three ones just described) in which the question belongs to as follows:

Table 4.3. Esprinet Customer Satisfaction Survey Scores

Current situation		With respect to the past		With respect to other Distributors	
Ranking	Score	Ranking	Score	Ranking	Score
Excellent	10	Improved	10	Improved	10
Good	8	Equal	= vs actual	Equal	6
Sufficient	6	Worsened	0	Worsened	0
Insufficient	0	Not applicable		Not applicable	
Not applicable					

Source: Personal Elaboration

Moreover, it has been asked to choose which area of interest should be improved. According to the responses, the percentages of answers indicating each area have been registered. This year has been the third time in which the same parameters of the survey's evaluation have been applied by the company in each geographic area of the survey release (Italy and Spain), so that it was possible to compare the situation of 2021 with 2020.

In comparison to the previous years, in the survey of 2021 some changes have been implemented in the survey construction, implementing the Net Promoter Score, as in the case of the Internal Survey. The reason lies not only in the awareness that, moving year by year a step forward into the customer centric world, the NPS implementation was a coherent step to follow. But this KPI has been introduced even for the sake of simplifying and lightening the structure of the previous surveys that have resulted in stress and time consuming from participants' perspective, being composed of a significant number of questions. With the introduction of the NPS, the standard question related to this KPI has been inserted. Moreover, the usage of the Net Promoter Score as a reference point for many customer centric companies, becoming a sort of standard for a big portion of American companies from many years and starting to capture the interest also of the European ones, was another point in favor of its acceptance. However, the integration of this new parameter of evaluation was not a path without criticalities. The primary difficulty that the company encountered was to understand whether clients could provide a grade that represents their willingness to be assigned to "Passives", "Detractors" or "Promoters". The NPS assumes that whenever a mark below 9 and above 6 is expressed, the answer is classified in the "Passives" group, in contrast to "Detractors" which is the

group that includes the range of marks between 0 and 6. This parameter is based on the American way of perceiving grades, in which the ones that are not excellent (9 or 10) are not considered as “good” indicators and the number 6 is already considered an insufficient grade. Instead, the European way of perceiving rankings is somehow more permissive, considering also 7 and 8 as good grades, and 6 is considered as the sufficiency. It is difficult to understand what the cultural influences are in the parameter of evaluation used by participants of a survey. Considering this limitation, one reasoning could be to adapt the grades perspective to the European culture, to avoid obtaining misleading results. However, maintaining the standard evaluation of the Net Promoter Score was necessary in order to “legitimize” the results with regards to a possible future benchmarking with other players in the company implementing it and to take advantage of the “Promoters” data to reason about a targeted marketing actions, as mentioned in a previous paragraph. As a consequence, the company has decided to follow the original parameter of evaluation, trying to explain clearly to the participants of the survey in which group they would be assigned depending on the grade they declare in the questionnaire (i.e. depending on the grade they would have assigned to the question it was specified whether they are classified as Promoters, Passives, or Detractors). The only adaptation that has been arranged when it comes to the NPS implementation is related to the question proposed to the survey’s participants. As mentioned in the first chapter, the NPS should be based on a single question provided to the service user: “with which probability would you recommend this product/service/website to a friend?”. Esprinet has decided to offer a different perspective: “How do you evaluate in general the company’s ability and efficacy in responding to your business needs?”. The reason lies in the fact that physiologically a business client is not habitual to answer whether it would recommend the service to a colleague as in the case of a final customer, so that the request to evaluate the service Esprinet is providing to the client has been considered more appropriate.

4.4.1. Customer Satisfaction Survey results

Table 4.4. Esprinet Customer Satisfaction survey results

	Current Situation	In relation to the past	In relation to other distributors	N* Respondents
2020	24,24	23,99	20,63	2184
2021	24,31	23,73	21,52	2960

Source: personal elaboration

Analyzing the difference in results between the survey in 2020 and the survey in 2021, overall evaluation of respondents on the current situation has improved, from 24,24 to 24,31 (Table 4.4.). When it comes to the evaluation in relation to the past, the result of the survey 2021 is slightly lower in comparison to the one arising from the survey 2020 (from 23,99 to 23,73). This can be justified by shortage of stock caused by the global pandemic period of 2020. Indeed, feedback emerging from the survey's open questions demonstrate that an important source of dissatisfaction is represented by lack of stock, which traces back to the external variable of Covid-19. Nevertheless, the evaluation of the company with respect to other distributors has improved (from 20,63 to 21,52). This would mean that shortages of stock which caused a slight decrease in customer satisfaction had no negative impact on clients' perception of the company in relation to Esprinet competitors. Generally, overall evaluation of clients with regards to the company is positive, despite small improvements have taken place over these three years. However, it could not have been otherwise considering that the Customer Satisfaction project is a very young project, which requires several years before showing evident results. Moreover, results are coherent with the company's strategy: "At first the employees and then the clients". The previous years the company has worked on employees' satisfaction improvement, obtaining the "Great Place to Work" certification, this year the priority would be the client and an important project of upgrading will be put in practice so that significant improvements on survey results would be visible. Coherently with this priority the following objectives have been established:

- Re-designing of procedures;

- Change employees' attitude from a product centric perspective towards a customer centric one even more;
- Be closer to the clients.

Not only a general evaluation about the company has been asked in the Customer Satisfaction survey, but also in which area of interest among Sales, Purchases, Logistics and Web the client believes that Esprinet should improve to support its personal business. This question has been proposed in every annual survey.

Table 4.5. % of Clients' answer to the question: In which area do you believe Esprinet should improve to support your business?

	2019	2020	2021
Purchases	29%	30%	33%
Sales	32%	32%	28%
Logistics	14%	15%	18%
Web	25%	23%	21%

Source: personal elaboration

According to the results shown in Table 4.5. it emerged that the percentage of answers to the question indicating purchases and logistics has increased over the years. In other words, the percentage of customers believing that purchase and logistics areas should be improved has increased. On the other hand, sales and web percentage of answers has decreased over the years. This information might allow us to understand that the main sources of dissatisfaction, and despite their slight, are represented by problems in purchase and logistics. When it comes to both areas of interest, these may trace back to the problems which national carriers faced in terms of delay of goods from the factories due to the global pandemic period of 2020. However, deeper analysis should be done to understand what the precise cause of the increase in customer claims in those areas of interest is. Open questions at the end of the survey were helpful in this instance.

Moreover, specific questions have been asked for each area of interest among the three survey's perspectives: current situation, with respect to the past, and with respect to

other distributors. For each question evaluation from 0 to 10 has been asked and results have been expressed in thirtieth. In the following tables results from the survey 2020 and the one of 2021 have been compared for each area.

Table 4.6. Questions related to Marketing and Purchases Area

Marketing and Purchases Area 2020	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	23,07	22,77	19,71

Marketing and Purchases Area 2021	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	21,89	20,33	20,22
Δt	-1,18	-2,44	0,51

Source: personal elaboration

When it comes to the Marketing and Purchases Area, evaluation of the current situation (-1,18) and with respect to the past (-2,44) has slightly decreased in relation to the year before. This is always attributable to the exogenous variable of the Pandemic Period which led to shortages in stock. Nevertheless, evaluation with respect to other distributors has improved (0,51), this could mean that the negative effect of stock shortages has hit competitors more than Esprinet in terms of customer satisfaction (Table 4.6.).

Table 4.7. Questions related to Sales Area

Sales Area 2020	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	25,97	26,07	21,74

Sales Area 2021	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	26,78	26,87	22,96
Δt	0,81	0,80	1,22

Source: personal elaboration

With regards to the Sales area, perceptions of improvement emerged from the survey 2021 with respect to survey 2020. This area involves the following aspects: response time, courtesy, and quality of answers of personal reference commercial. Probably, all these elements have been evaluated more positively in the current situation, in relation to the past, and with respect to other distributors than the previous year (Table 4.7).

Table 4.8. Questions related to Logistics area

Logistics Area 2020	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	23,62	23,39	19,21

Logistics Area 2021	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	24,35	23,98	20,61
Δt	0,73	0,59	1,40

Source: personal elaboration

According to survey results logistics area has improved from 2020 to 2021, this means that the company has performed better in terms of both time and quality of problem-solving, and quality of delivery dates. Indeed, this area has improved in all the perspectives with respect to the previous survey (current situation, with respect to the past, with respect to other distributors).

Table 4.19. Questions related to Web area

Web Area 2020	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	24,61	24,11	22,05

Web Area 2021	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	24,94	24,73	22,58
Δt	0,33	0,62	0,53

Source: personal elaboration

When it comes to the Web area, customer satisfaction on the current situation, with respect to the past and with respect to other distributors has improved in relation to the previous survey.

Table 4.10. Questions related to the General Evaluation

General evaluation 2020	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	23,80	23,54	19,39

General evaluation 2021	Current Situation	With respect to the past	With respect to other distributors
Evaluation expressed out of thirty	24,94	24,74	21,09
Δt	1,14	1,20	1,70

Source: personal elaboration

In the question related to the general evaluation, it is asked to assess the satisfaction level of the relationship with Esprinet. Even in this case in 2021 Customer Satisfaction Survey results have improved. This information is coherent with results from the overall evaluation when it comes to the perspective “in relation to other distributors” and “current situation”, but it does not for the dimension “in relation to the past”. This means that despite customers perceiving that Esprinet has slightly decreased its performance over the survey’s years, they perceive an improvement in terms of relationship.

Correlating the results linked to the question “In which area do you believe Esprinet should improve to support your business?” (Table 4.5.) with the punctual questions related to each area of interest (Table from 4.6. to 4.10.), in both cases fewer positive

evaluations emerged when it comes to marketing and purchases area. However, in the first analysis satisfaction on logistics emerged as decreasing and in the second it emerged as increasing in all the dimensions.

Table 4.11. NPS Results according to each operational area

NPS for each Area	NPS	Promoters	Passives	Detractors	N* contacts
General	29	44%	41%	15%	2868
Relationship	29	45%	39%	16%	2760
Marketing/Purchases	22	40%	43%	17%	3137
Sales	31	47%	36%	16%	2722
Logistics	26	42%	43%	15%	2677
Web	29	43%	42%	15%	2722

Source: personal elaboration

As mentioned previously, participants were asked to evaluate the performance of each operational area providing a grade from 0 to 10, being aware of the fact that results would have been analyzed according to the Net Promoter Score, considering which range Promoters (0-6), Passives (7-8) and Detractors (9-10) belong to. According to the results, relationship, sales, and web are the operational areas with the highest NPS result (Table 4.12.). On the other hand, the lowest results belong to the Marketing/Purchases and Logistics area. Therefore, outcomes emerging from the NPS evaluation are coherent with the ones related to the question “In which area do you believe Esprinet should improve to support your business?”.

Not only quantitative questions have been provided, but also qualitative ones. In order to deepen the analysis from “give a grade in relation to your customer experience” to “the reason why you choose to put the specific grade” insertion of open questions was necessary. The aim of the survey is not only related to the need to obtain numbers to compare with the past, but it is also, and more importantly, related to the possibility of understanding each specific customer issue. Having the awareness of the reason why there is customer dissatisfaction allows one to react and transform what is a negative experience into a positive one, or at least improve whenever it is possible. For this reason, the company allowed participants of the survey to express their opinion about each specific area of interest, and an open question has been provided for each of them. The analysis of those answers has been more complex than the ones for the quantitative questions, since it could not involve a mathematical calculation to group them, not being

numerical answers. It was necessary to go through each single comment, that most of the time could contain more than one report whose content could also belong to different areas of interest. To do this, it has been decided to attribute each content of the answer to a key word representing the area which the customers refers to in its report. To clarify the procedure the following example is described: in the case of the answer “the low availability of notebooks and the continuous uncertainty about arrivals have affected a lot of our purchases and we had to turn to other suppliers with better availability. Our contact person has always been present (and at all times)” different types of report have been inserted in the same comment, so that different keywords have been attributed to it. The claim about the low availability of notebook has been assigned to the key word “lack of product availability”, the report regarding uncertainty about arrivals has been associated to the key word “improve delivery information” and the report indicating that the client’s contact person has been always been present has been associated to the key word “positive relationship with the commercial”. In this way each content of each answer could be traced and directly sent to the department in charge of the area of interest related to that report, so that it could activate itself instantly in preparing an action plan to address the problem. Moreover, this classification has been useful for the sake of analyzing the key words which have received the assignment of the highest number of answers. The higher the percentage of negative answers associated with a keyword, the more the criticality related to that key word meant to be important. Percentages of each keyword on Table 4.12. are related to the total positive or negative answers of each area of interest, in order to understand the incidence of comments in those areas. Observing results, it emerges that the key words with the highest percentage of negative answers for marketing and purchases area are product availability (31%) and prices (38%), for sales area are commercial relationship (25%) and contact difficulty (18%), for logistic are transportation prices (26%) and speed of product delivery (15%), and for web is web research (42%). Moreover, the key words with the greatest number of negative answers are represented by product availability (126) and product prices (154) which both belong to the marketing and purchase area. This means that the results of the qualitative questions confirm what emerged from the quantitative one: the marketing and purchase area is the one where highest dissatisfaction level emerges (Table 4.12.). The positive side of this analysis is the possibility to understand which specific issue to work on with the

aim to solve the general area of interest: for instance, to improve sales area projects on contact difficulty would be effective.

Table 4.12. Customer Satisfaction Open Questions - quantitative analysis

Marketing/purchases	Negative	%	Positive	%	Tot
Products availability	126	31%	14	70%	140
Prices on products	154	38%	1	5%	155
Prices of quotations	13	3%	0	0%	13
Speed of quotations	14	3%	1	5%	15
Range of products	19	5%	3	15%	22
Allocation of merchandise	1	0,25%	0	0%	1
Quality of product sheets	62	15%	0	0%	62
Reliability on delivery dates	17	4%	1	5%	18
Total positive and negative	406	100%	20	100%	426
Total comments	426				
Incidence rate	95,31%		4,69%		

Sales	Negative	%	Positive	%	Tot
Response time	39	17%	22	8%	61
Quality of response	8	3%	10	4%	18
Contact difficulty	43	18%	0	0%	43
Relationship with commercial	58	25%	232	87%	290
Credit Line	30	13%	0	0%	30
Pre sale service	7	3%	0	0%	7
Post sale service	4	2%	0	0%	4
Specialist support	10	4%	4	1%	14
Bureaucratic Rigidity	6	3%	0	0%	6
Payment terms	29	12%	0	0%	29
Total positive and negative	234	100%	268	100%	502
Total comments	502				
Incidence rate	46,61%		53,39%		

Logistics	Negative	%	Positive	%	Tot
Transportation prices	50	26%	0	0%	50
Speed of product delivery	28	15%	2	3%	30
Information on delivery	23	12%	0	0%	23
Damaged goods	12	6%	1	2%	13
Carrier monitoring	19	10%	0	0%	19
Packaging	11	6%	0	0%	11
Logistics	20	11%	57	95%	77
Delivery documents	4	2%	0	0%	4
Returns management	18	10%	0	0%	18
Others	4	2%	0	0%	4
Total positive and negative	189	100%	60	100%	249
Total comments	249				
Incidence rate	75,90%		24,10%		

Web	Negative	%	Positive	%	Tot
Configurator tool	7	8%	0	0%	7
Web research	39	42%	2	3%	41
Ux web orders	15	16%	1	1%	16
Web site quality	31	34%	66	96%	97
Others	3	3%	0	0%	3
Total positive and negative	92	100%	69	100%	161
Total comments	161				
Incidence rate	57,14%		42,86%		

General	Negative	%	Positive	%	Tot
Attention to customer needs	13	22%	4	27%	17
Problem solving	11	19%	11	73%	22
Flexibility	11	19%	0	0%	11
Total positive and negative answers	35	59%	15	100%	50
Total comments	50				
Incidence rate	70,00%		30,00%		

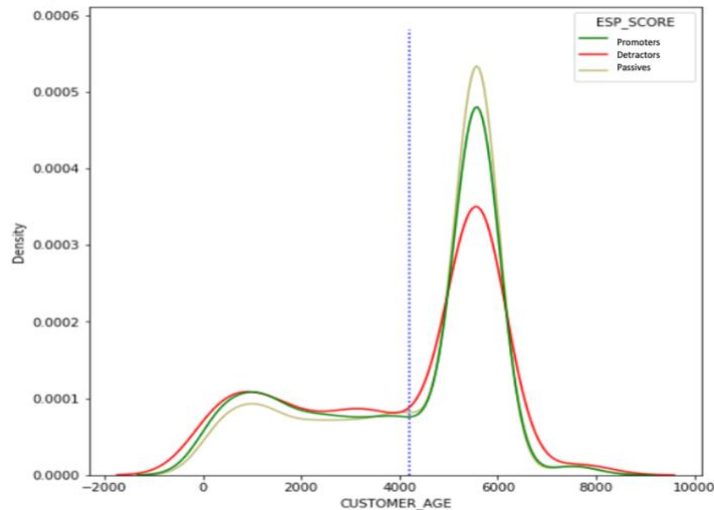
Source: Personal elaboration

The analysis of the survey has followed two parallel paths. The first is the analysis of the feedback provided by the qualitative answers, the second involves the elaboration of the quantitative ones belonging to the NPS parameter. When it comes to the first analysis, as it has been already explained, each open answer has been assigned to specific key words depending on their content in order to send feedback to the department of interest. However, this classification has been implemented for another reason as well: in order to show the share of answers providing a feedback or level of satisfaction/dissatisfaction belonging to a particular domain. Discovering domains with the highest percentage of answers would have allowed to understand problems respondents emphasize the most. Secondly, it would lead to possible correlations between a customer segment type and the degree of satisfaction related to a specific domain. For instance, it would be possible to discover that Small and Medium Business clients are more prone to criticize (through feedback) the difficulty to enter in contact with the distributor's commercial when needed (the domain of interest).

The second analysis, the one on the quantitative information, was needed to confer substance to the qualitative results. In this case the major problem was to identify which business clients' personnel to consider in the analysis. Clearly, different contacts for each business client have participated in the survey and to identify the satisfaction level of the whole client's company only one representative figure should have been chosen. This reminds us to the difficulty discussed in chapter 3, which the literature emphasizes as one of the major problems for a business-to-business company in the customer satisfaction analysis. To address the problem, the company decided to collect the answer of only one contact for each business client, according to different criteria. The first criteria involved the choice of the representative figure considered as the key decision maker of the distributor (as the literature suggests). In the case in which it was not possible to define a precise key decision maker because there were different contacts having the same level of importance or the role in the company was not registered in the database, the second criteria has been used: considering the average of the results provided by all the contacts of the same company. Whenever the average was not considered representative of what a business customer could perceive about the distributor, it has been decided to choose the evaluation of the contact which provided a relevant and reliable open answer into the qualitative part of the survey. Once all the key decision makers of the company have been established, it has been verified whether clients with the same satisfaction level are influenced by a similar variable. Specifically, it has been analyzed if participants identifiable as promoters, passives or detractors would have been impacted by the same factor, integrating the NPS results with company's internal data about customers. Once discovered those correlations, it would have been possible to establish personalized activities based on the NPS profiles, in order to increment the satisfaction level of an important share of customers. The correlations emerged are the following:

- Taking into consideration the historical customer age as the number of days passed from the first customer coding in Esprinet information systems until the day of the analysis (in April 2021), significant differences among groups do not emerge on the shape of the tail with very high seniority (>6000 days), but slightly higher density of Detractors with respect to the other two groups can be noticed (Table 4.13.)

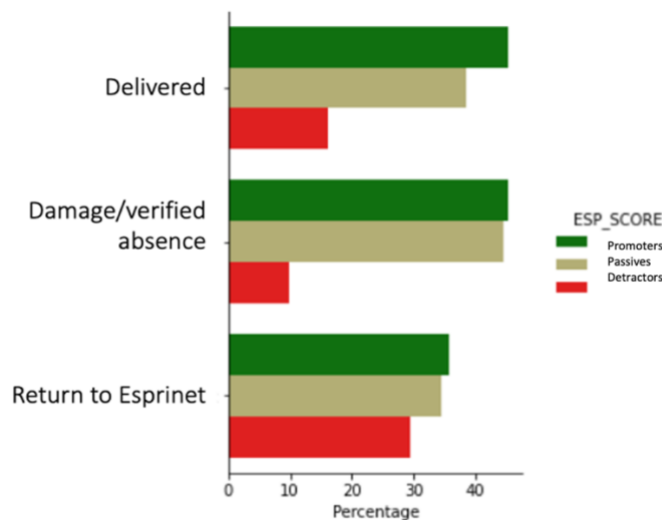
Table 4.13. Promoters, Passives, Detractors age distribution



Source: Esprinet’s survey analysis

- Analysing the three final outcomes of Esprinet’s products delivery, which are “delivered”, “damage/verified absence of stock”, and “stock return” differences among groups can be observed: Detractors have returned products more frequently and have been subject to higher number of damages or lack on the stock delivered. Specifically, almost 25% of delivery outcomes with causality “stock return” have been requested from Detractors clients. Moreover, Detractors represent 15% of delivery outcomes with causality “Damage/verified absence of stock” (Table 4.14.).

Table 4.14. Promoters, Passives, and Detractors’ relationship with delivery outcomes



Source: Esprinet’s survey analysis

Once the delivery outcomes become evident, it has been possible to observe the delivery time in relation to the number of days from the date of the order fulfillment to the delivery one. The Table 4.15. illustrates the percentages of shipping, with respect to the three delivery outcomes, divided among intervals of days elapsed from the order fulfillment and the stock's delivery.

Table 4.15. % of shipping depending on the number of days from the order fulfillment and the delivery

	Delivery Days Intervals	Final State	Detractors - % deliveries	Promoters - % deliveries	Passives - % deliveries
0	(0, 1]	Consegnata	72.580064	70.136884	68.633163
1	(1, 5]	Consegnata	25.250398	27.135354	28.753300
2	(5, 20]	Consegnata	1.179577	1.200529	1.389722
3	(20, 100]	Consegnata	0.040715	0.055829	0.069291
4	(0, 1]	Resa in Esprinet	0.883002	0.546448	0.754717
5	(1, 5]	Resa in Esprinet	9.602649	18.670310	16.320755
6	(5, 20]	Resa in Esprinet	72.958057	63.843352	67.547170
7	(20, 100]	Resa in Esprinet	16.445916	16.484517	14.150943
8	(0, 1]	Danno/mancanza verificata	5.617978	3.940887	2.255639
9	(1, 5]	Danno/mancanza verificata	23.595506	20.197044	29.323308
10	(5, 20]	Danno/mancanza verificata	34.831461	57.881773	51.629073
11	(20, 100]	Danno/mancanza verificata	23.595506	16.502463	16.290727

Source: Esprinet's survey analysis

From the table it can be observed that Detractors, when it comes to product returns and to the damage/verified absence of stock, have been subject to higher timing (7th and 11th row) with respect to Promoters and Passives.

- Another possible explorational area of customer relationship with Esprinet regards transportation costs. It has been analyzed if they have different impacts on revenues depending on whether they are classified as Promoters, Passives, or Detractors. In Table 4.16. the impact of transportation costs on customer total revenues has been calculated dividing them among intervals.

Figure 4.16. Transportation costs' impact on customer revenues

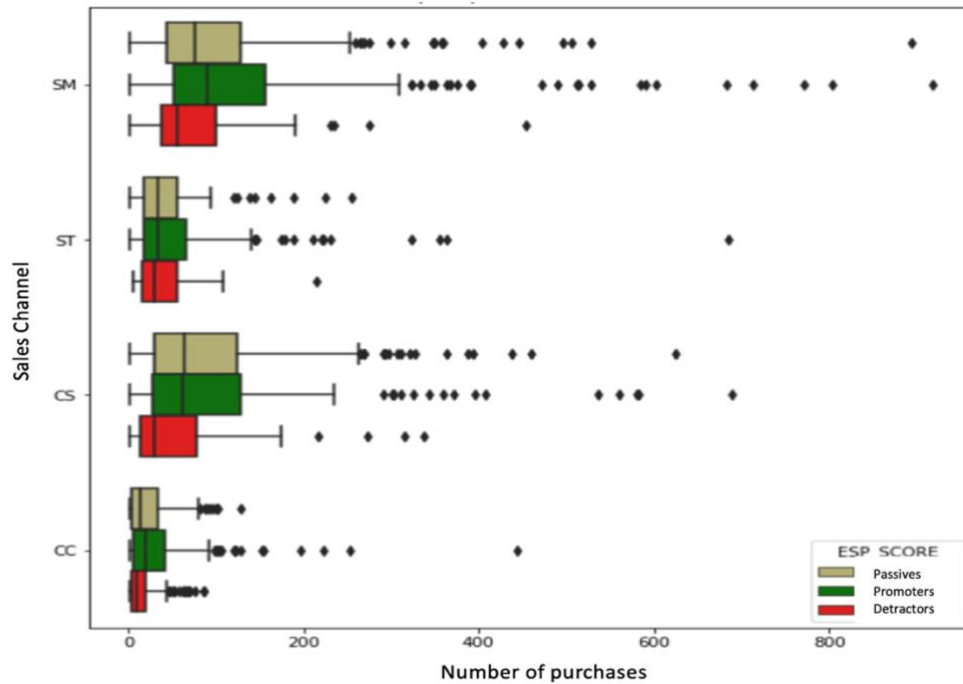
% Incidence transportation costs on turnover	% Detractors	% Promoters	% Passives	
0	(0.0, 0.1]	60.773481	63.690476	63.243243
1	(0.1, 0.2]	13.812155	16.190476	18.918919
2	(0.2, 0.4]	13.812155	12.380952	11.621622
3	(0.4, 0.6]	4.972376	3.928571	2.837838
4	(0.6, 0.8]	1.657459	1.190476	1.216216
5	(0.8, 1.0]	1.104972	0.833333	0.540541
6	(1.0, 2.0]	2.762431	1.190476	1.081081
7	(2.0, 3.0]	0.552486	0.238095	0.405405
8	(3.0, 10.0]	0.552486	0.000000	0.135135

Source: Esprinet's survey analysis

It can be observed that in the highest ranges of transportation costs' impact on customer revenues, the percentage of Detractors is much higher with respect to the one of Promoters and Passives.

Moreover, it has been analyzed whether satisfied clients have the tendency to fulfill more purchases. A box plot has been illustrated to understand how data are distributed, therefore if they are symmetric or asymmetric, depending on how the rectangle and the mean are positioned with respect to the minimum and the maximum (Graph 4.1.). Clients have been divided among sales channels. As it emerges from the boxplot, despite the presence of many outliers, Promoters and Passives tend to have similar distributions in the number of purchases and less close to zero with respect to Detractors.

Graph 4.1. Number of purchases for each NPS group and sales channel

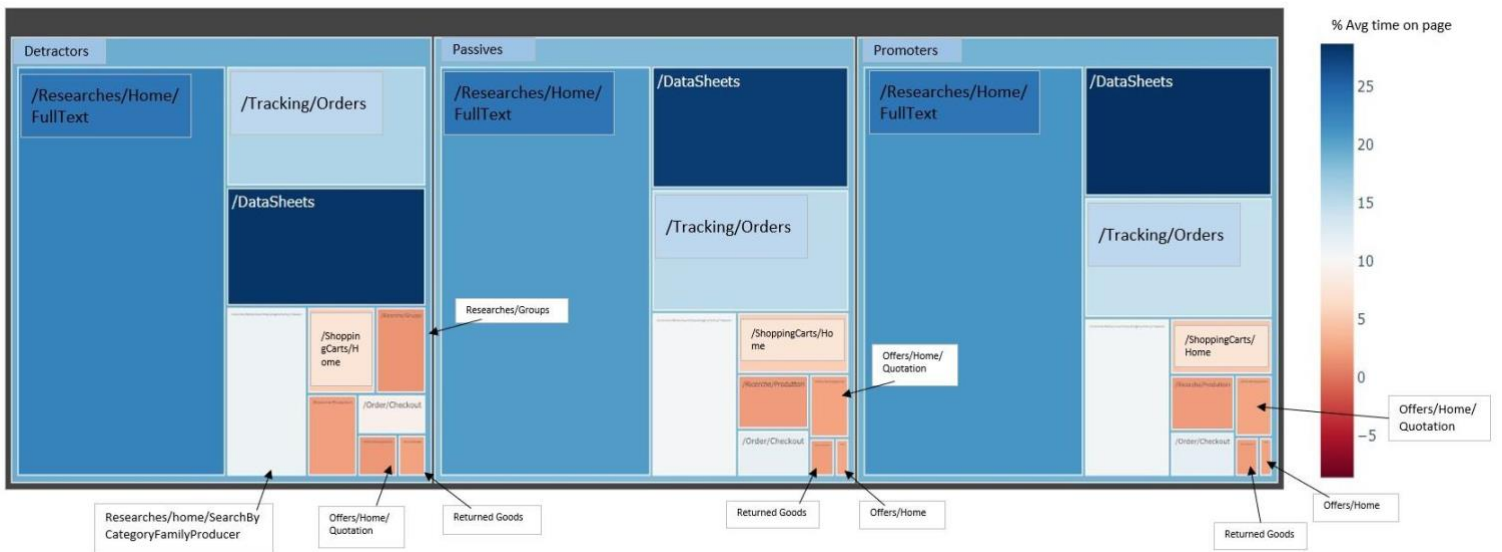


Source: Esprinet's survey analysis

- Even when it comes to customers' web browsing some considerations can be made. In the Graph 4.2., the average time on a web page in percentage of each NPS group is shown. The percentage is calculated on the total time on the web for each group so that it is possible to sum 100 for each specific group. For the sake of simplicity, the first 10 most visited web pages have been chosen, excluding the website homepage. Each rectangle is directly proportional to the number of pageviews (expressed in percentage with respect to the total pageviews of each NPS group) and the color intensity from red to blue represents the average time spent on a webpage.

It is possible to observe that the dimensions related to Research/Home/FullText are more or less the same among the three groups. On the other hand, the 23% of time which Detractors spend on these 10 pages is devoted to Research/Home/FullText, therefore the search's results page. This data is slightly higher with respect to Promoters (21,9%) and Passives (21,5%) and emphasizes probably a difficulty in finding the product deserved on the search's results.

Graph 4.2. Average time spent on webpage for each NPS group



Source: Esprinet's survey analysis

4.4.2. Final considerations about survey's results

From the queries related to the three perspectives proposed from the survey it emerges that the company has slightly decreased its performance in relation to the past, but this traces back principally to the external variable of Covid-19 in 2020 which caused shortage of stock. Moreover, the survey indicates that Esprinet has improved its performance in relation to competitors.

When it comes to the questions about the areas of improvement, it emerged that customers believe that the Marketing & Purchase and Logistics areas should be improved, seeing instead an increase in performance when it comes to Sales and Web (comparing data from 2019 to 2021).

Going through the specific questions devoted to each area of interest, it emerged that Marketing & Purchases satisfaction has slightly decreased from 2020 to 2021, but perception in relation to competitors is still higher. On the other hand, Sales, Logistics, and Web areas' customer satisfaction has improved in all the perspectives.

From the NPS results it emerges that the areas with highest percentage of Promoters net of Detractors come from the Relationship area and the Web area (29), and the lowest result is attributable to Marketing & Purchases (22). Considering all the results already mentioned, it can be observed that Marketing & Purchase and Logistics are the areas where customers indicated the highest need of improvement.

Analyzing the open answers provided by survey's respondents, Marketing & Purchase emerges as the area with highest dissatisfaction, which is mainly attributable to lack of product availability. This is coherent with the reasoning about the analysis of the survey's general evaluation, where it has been concluded that the slight decrease in performance in relation to the past is related to shortage of stock, effect of an external variable which causes a temporary impact and that cannot be directly traceable to company's unsatisfactory activities.

When it comes to quantitative analysis it has been observed how Detractors group is the one that has been the most impacted from the stock's returns and damages. Moreover, Detractors have been subject to longer delivery times and higher returns and damages. When it comes to the transportation costs, Detractors are subject to higher transportation costs' impact on total revenues with the other two groups of clients. On the purchase side, it has emerged that Detractors tend to purchase slightly less than the other two groups. Finally, on the website browsing side, Detractors have less page views values within the website and spend more time on textual search's result web page.

4.4.3. Projects in response to the Customer Satisfaction Survey results

Esprinet has taken advantage of data from the survey in order to effectively work to increase the level of customer satisfaction. Indeed, in response to the Customer Satisfaction Survey results, several punctual actions have been implemented to encounter the most important needs of clients:

- When it comes to the Marketing & Purchases area, strengthening and improvement of product sheets present on Esprinet website has taken place, with more than 95% of complete technical sheets for products on Esprinet catalogue. This activity has been

prioritized in response to some negative feedback about product sheet quality (15% of total survey's negative comments related to Marketing & Purchase area were attributed to the quality of product sheets).

- With regards to the Sales area, in response to the reports about the contact difficulty emerging from the questionnaire, a dedicated website section has been introduced to allow customers entering in contact quickly and easily with vertical specialists tied according to their business needs and characteristics (18% of negative comments related to the Sales area emerged as indicating contact difficulty).
- When it comes to the Website area, to enhance an improvement in the web user experience, a dedicated platform dedicated to the cloud marketplace has been introduced (16% of the negative comments about the Web area were attributed to the web user experience). The marketplace would allow the purchase and the monitoring of cloud solutions and services from a unique cross brand platform. Throughout the Cloud Marketplace it is possible to combine different brand services in order to design effectively personalized cloud architectures depending on the type of final customers' needs. Moreover, the Esprinet website has been structured as an efficient sales instrument, guiding the client in the purchase of products but also in the knowledge of new sectors. To support the client in the integration of new business areas to its actual offer a website section of solutions with contents of brand and market updates has been created.
- In response to the feedbacks related to the Logistic area, it has been strengthened the logistic service throughout the "EspressNOW" service, which provides for clients the delivery within four hours from the date of the order (15% of negative comments on Logistics area were related to the speed of product delivery).
- In order to optimize product availability of Esprinet point of sales and to react to the feedbacks from the survey related to the shortages of stock (representing 31% of negative comments related to Marketing & Purchase area), it has been provided a tool called "smart shelf" which optimizes the shelf replenishment, allowing to manage

dynamically the stock and enhancing to reduce the movement of tracks from the central warehouses to the point of sales.

In conclusion, looking at Esprinet case study, through a structured implementation and analysis of a customer satisfaction survey, integrated with a strong commitment of cultural change toward a customer centric perspective, a company can effectively take advantage of a customer-oriented strategy. Thanks to this process, projects have been put in practice to increase customer satisfaction levels that will enable the company to increase substantially the quality of the service provided to its customers. Without focusing on customer feedback, the company would have not been able to understand clearly what the critical issues are emerging from its service performance and would have not been capable to justify changes in its strategy in favor of quality of performance. The effects of those changes will be evident in the future through additional customer feedback, and according to those evidences the company would have the possibility to quantify the increase in its service excellence.

Chapter 5: FINAL CONSIDERATIONS

The focus of this thesis is not only to provide evidence of the efficacy of a customer centric strategy, since there is already material in the literature and in many companies experiences showing this one of the most successful ways to compete for a company in a more and more demanding market with increasing uncertainty. The argumentation is about providing some evidences of discrepancies between what the literature suggests as easy to implement in the path towards customer centricity, and what a company at the beginning of this process such as Esprinet is demonstrating to be more critical, and even more time consuming to put in practice than what the literature argues. In the following paragraphs those discrepancies are going to be highlighted and since all of them represent criticalities for the company not solvable relying on the literature, some suggestions will be proposed.

5.1. Integration of customer satisfaction goals with traditional performance objectives

One of the most agreed suggestions in the literature to link the customer satisfaction objective with the traditional performance objectives is the usage of the Balanced Scorecard Model. As well described in chapter 2, this model should be useful to measure the business performance not only from an economic and financial point of view. The Balanced Scorecard would analyze the company in its totality, positioning even customer satisfaction at the same priority level of financial performance. However, Esprinet experience has shown that prioritizing objectives is not enough to motivate the entire organization to achieve them, what is also needed is to find correlations between these objectives and the main company's goal (making profit) and this is something not explained by the Balanced Scorecard Model. Looking at the Esprinet case, despite the objective of customer satisfaction has been spread among each department throughout the "Sprint" and the "Workout" activities consolidated by constant monitoring of managers, these objectives have been put in practice but initially they have resulted difficult to be legitimized. The reason lies in the fact that for an organizational culture born as product centric was not initially easy to think in a customer centric way, despite the strong commitment towards this mindset's change, and secondly because it is difficult to understand the correlation between customer satisfaction objectives, their single activity, and the overall company's business performance. Prioritizing different goals

simultaneously as the Balanced Scorecard Model suggests, does not mean to find a direct relationship between these objectives. However, this is paramount in order to legitimize the entrance of new projects such as Customer Centricity: for an employee it is difficult to be motivated in approving a new project if there are not visible consequences on his own performance and on his department performance.

Taking an example, the company worked on a project in response to the contact difficulty with the commercial that emerged from an important number of respondents in the survey, which is one of the causes of low satisfaction in the sale process dimension. The source of the problem is related to the slight imbalance in the organization of tasks delegated to each member of the frontline staff, where distribution of clients assigned to each commercial does not allow them to serve them at best and provide them a quick response. Thus, the answer to the problem would be intuitively to change the number of clients assigned to each commercial. However, the real driver of bad customer response lies in the fact that in many cases the only way to give the right assistance to the client is to ask other departments information that the commercial would not have otherwise. This mechanism forces the commercial to depend on other operational figures in terms of time and quality of response. Consequently, the main reason for long answer's delays is the need to increase coordination among departments. To solve this problem, a project with regards to the reorganization of Esprinet relationship with clients has been set, allowing the customer getting access to different contact levels: access to one or more specialists fitting at best their business or general needs, access to personalized groups in the email, and access only to the commercial of reference (who has deep knowledge about the specific client's business) and to other active touchpoints. Differentiation and rationalization of touchpoints would have allowed the response to the feedback about the contact difficulty to have emerged as important from the survey. This project requires an important commitment by the organization, which must be culturally motivated to concentrate the effort on it. If it would be possible to identify a cause-and-effect relationship between Customer Satisfaction and business performance, organizational motivation towards the objective in course would increase.

Premising that the literature lack of argumentation about it a personal reasoning is explained, representing an encouragement for possible future research: if the company

has just begun to trace information about customer satisfaction, it would be difficult to find its effect on company's performance, but if it keeps on going capturing data for a sufficient number of years proportional to customer satisfaction responsive projects realization, finding the correlation at issue would be possible. After three years from the first survey implementation and analysis, it is difficult to find clear correlations between customer satisfaction and business performance, Esprinet's annual business growth represented the opposite of what emerged from the Customer Satisfaction survey 2021: this year revenues grew by 13% in Italy and from the survey it emerged that clients were slightly less satisfied than the year before (23,73 in 2021 versus 23,99 in 2020). This is an incoherent result thinking about how to collocate customer satisfaction among the factors contributing to the company's growth. However, if the company will continue to acquire data on customer satisfaction releasing surveys for a sufficient number of years, it will be able to trace a more precise relationship and build a personal parameter on it.

Moreover, probably the results of the survey are not coherent with the positive revenue growth because most of the projects proposed in response to past feedback have not been concluded requiring more than one year to be implemented. Therefore, the effect of those activities on customer satisfaction would be seen in the next one or two annual surveys. In turn, a clear relationship between customer satisfaction and profitability will be more evident. Thus, only by acquiring historical experience on customer feedback the company would be able to obtain consistent results that allow it to understand which factors of customer satisfaction level drive up or down profitability level and based on those data it would have the possibility to build its own model with its KPI. Following this reasoning, at the beginning of the customer centric path for a company born as product centric which has already started projects following the client perspective, it would be difficult to motivate the entire organization towards pursuance of customer centric goals because of the lack of performance indicators which monitor their improvements.

However, in the future, thanks to the company's constancy in customer satisfaction data gathering, it will be able to justify the effort of increasing customer satisfaction because it will be possible to understand the value this confers to the business. At the beginning the organization must believe in the project despite the lack of quantitative evidence about its effectiveness but relying on the experience of many giants such as Amazon which

demonstrate that it is a successful strategy. Probably, many projects would not lead to the deserved effect on profits because the feedbacks related to them have been wrongly interpreted or were not numerically consistent to represent the majority of client's needs, however the risk is justified by the result once the right information will be discovered.

5.2. Integration of the Customer Satisfaction survey with other Listening channels

The literature suggests that customers' perceptions of received value is identified through customer satisfaction measurements, and in this case the survey is the most common tool to implement (Woodruff and Gardial, 1996). Moreover, it is assumed that, because the customer satisfaction survey is an instrument that allows to understand customer needs, their loyalty level, it enables to identify more customer-oriented services, improve customer relationships, and improve brand image (P. Cleave, 2012).

However, what emerged in the case study as distant from the literature is that a survey provides partial insights about customer experience. Although the survey provides an overview of the general customer sentiments with regards to the company's service, it would not allow to obtain a complete representation of what are the issues faced by most of the clients. Analyzing Esprinet case study, the first reason lies in the fact that the number of survey participants (2960 contacts answered and most of those belong to the same business company) does not reflect exactly the active company's customer base. For this reason, the company has analysed the Customer Listening channel and Focus Groups' data in order to verify the reliability of the survey's results. Fortunately, the information taken from those channels of listening coincide with the ones of the survey, therefore confirmation of survey's results has been possible. Secondly, even though the reason for a particular customer satisfaction level emerges from the survey, it does not mean that the company is able to understand it in the correct way or that the customer himself is able to explicitly explain it. Considering this reasoning it is difficult for the company to take data from the survey as reliable, consequently it is even harder to justify a project aimed at reacting to survey's feedback. For instance, considering results from customer satisfaction survey 2020 and 2021, it emerged that satisfaction on low reliability of delivery dates information provided by vendors has slightly decreased (22,26 in 2020 vs 19,53 in 2021). From this information a possible project aimed at enhancing efficiency in

data provision could be implemented. However, in order to justify the cost of this project, this information would have been based on a greater number of participants and a reliable customers' answer.

On the other hand, the company has been excellently able to overcome the obstacle of the lack of data arising from the survey: taking advantage of other sources of data, such as the Customer Listening platform, it integrated information coming from those channels with the ones of the survey. In this way, it has been able to increase the pool of data and to make them more consistent. The case study demonstrates that in order to pursue an effective customer satisfaction data gathering, an annual survey provided to customers itself is not sufficient, especially at the beginning, but throughout the integration of other channels of communication with the ones of the survey data based on customer feedback would be consistent and effective.

Therefore, possible suggestions arising from the case study can be several, one always related to the concept of historical data experience, another to the omnichannel concept, and the last is related to the needs classified according to the Kano model. With regards to the first point, as well as when it comes to the correlation between customer satisfaction and profitability, acquiring experience on data gathering by being constant with survey releases over the years, would allow on one hand to possibly increase the number of respondents to the survey, on the other would lead to improvements in the interpretation of customer feedbacks.

The second suggestion is to invest in an omnichannel strategy to exploit insights of customers from different client touch points simultaneously. If survey results are partial because of lack of information consistency, it would be useful to integrate them with data coming from other communication channels. For instance, as mentioned in the previous chapter, Esprinet throughout the Customer Listening project, provides its clients with a section in which customers could send messages and communicate with the company about specific issues they face with the Esprinet service. This channel is full of data about customer feedback sent daily, so integrating this source of information with the surveys results, data consistency about customer satisfaction would increase. Therefore, the

suggestion is to take advantage of the omnichannel opportunity, not only to connect with customers more easily (the primary aim of this strategy), but also to offset the lack of data emerging from the customer satisfaction survey, especially when the company is at the first years of its implementation. Moreover, the identification of the other touchpoints such as the so-called “moments of truth” would be helpful to add more data, which are the moments when the customer interacts with the company or brand. The “moments of truth” can take place when the product is chosen over the ones of competitors, when a customer experiences the quality of the product, when the customer reacts towards a brand or product through feedback, the customer researches online about a product or service. By capturing a consistent bulk of data from different communication channels (e.g. call center, email, chat-boat, commercial contact) it would be possible to understand what happens in each of those moments of connection with the customer.

The last reasoning is linked to the Kano model’s distinction between implicit, explicit and latent needs. From the survey only implicit and explicit needs can emerge, what miss are the latent needs. However, the latter are the only ones that if they are satisfied, they create the delight effect, the most important objective of a customer centric strategy. The others are satisfied only to fill the gaps to reduce dissatisfaction but will never allow to create the WOW effect. As a consequence, the survey is not the final step of the customer satisfaction analysis. The further stage deals with the identification of the latent needs, that is accomplished by developing innovative ideas that come from talented people within the company. Once those latent needs are discovered the company could be able to put in practice feasible activities to satisfy them. In conclusion, the customer satisfaction survey is not sufficient to improve customer experience, it is only a partial phase of the process but if it is provided to the customer frequently, it is accompanied by other instruments that enable to capture feedbacks and identifying what are the latent needs it would allow to reach the desired end state of effective data gathering on customer feelings. Esprinet understood this and is following excellently this path.

5.3. NPS benefits and limitations

Despite the literature providing contrasting ideas about the efficacy of the Net Promoter Score, it is clear that this KPI has been introduced by many companies, including big

giants, such as Amazon, so that it is becoming a common measure for companies undertaking the customer centric path. However, from the literature one limitation with regards to the NPS emerges: the difficulty to understand whether the company can trace particular characteristics to Promoters, Passives, and Detractors (the natural segmentation of the Net Promoter Score), in order to reason about possible targeted strategies for each group. The literature itself suggests that segmentation cannot be based on NPS classification for a customer centric strategy and that considering Promoters as a unique segment does not help to celebrate the customer centric principle of heterogeneity (P. Fader, 2016). However, Esprinet followed an logical path to exploit the NPS information for customer segmentation activities: understanding that the NPS cannot be a stand-alone point of reference to reason about clustering, it found instead effectiveness in the usage of historical data about customer value (i.e. annual revenues the company gained by each client) correlating them with the level of satisfaction coming from the NPS results. In this way, differences within the same NPS group would be discovered, especially in terms of frequency of purchase, and customer profile would be more realistic. For instance, it can be discovered that, the majority of clients which complain about the relationship with the commercial, at the same time have a high frequency of purchase. Therefore, this feedback emerging as apparently critical from the survey would result less worrying knowing that those clients on the contrary of what communicated in the survey are still loyal to the company. As a result, it would not be necessary to consider that problem as a priority to solve in relation to others which cause lower frequency of purchase.

On the other hand, there is one element that the literature does not emphasize: many academic supporters of the NPS suggest using it as a customer satisfaction competitive benchmark. Therefore, it would allow to understand whether the company is more or less customer centric than other market players in the industry. The problem is that it still does not exist a standard certification of the Net Promoter Score according to which companies are sure which is the real NPS result of their competitors. Esprinet has tried to identify whether some competitors have published their Net Promoter Score, and companies such as Tech Data, Arrow Electronics and Insight Enterprises actually did it. The problem arose when Esprinet understood that that information had been released on a website in which there were no signs of NPS official certification. So how can a company

compare its results if there is no official institution and certification that guarantees the truthfulness of its information and the one of competitors? The problem is more accentuated when, browsing on the internet, the NPS results of a company are different depending on the website source. For this reason, Esprinet effectively exploited the NPS result to create a useful KPI for the organization which measures the performance on the basis of the customer satisfaction level, in order to monitor the degree of effectiveness of the customer centric strategy, and at the same time putting in the background the possibility to use it as a benchmark to measure competitiveness in the market.

5.4. Inapplicability of the WOM strategy to the Esprinet's business

As mentioned in chapter 3, the literature suggests the possibility to apply Referral marketing throughout the Word-of-Mouth effect even for the company operating in the business-to-business sector. However, what is not specified is that this can work for some particular businesses and not for others. For instance, for companies such as Airbnb operating in the online marketplace for tourism activities the WOM effect is feasible. This is because those companies are the intermediaries between private users that sign a rent contract with each other. Being private customers, they are prone to make a referral about the service they receive in exchange of a benefit by the company providing it. Moreover, the positive message shared may become viral among a huge number of potential clients, so that the WOM effect is translated into increase in customer acquisitions. The same is more difficult to happen for companies such as Esprinet dealing with business clients whose last thought is to share a positive referral whenever they are satisfied with a particular intermediary or supplier. The first reason lies in the confidential nature of companies, which tend not to share good information to competitors whenever it is possible, the second lies in the lack of virtual and physical places where business clients meet with other potential clients to communicate. While private users can communicate easily throughout network platforms or physical places of encounter, it is rare that companies have a common space to talk virtually or physically, except in the case of a sector fair.

CONCLUSION

This study has tried to answer the question: “what are the implications for a company born product centric transforming itself into a customer centric company in terms of organizational change and survey data analysis?”. To this end, the Esprinet case study has been proposed concerning a company at the beginning of its transformation towards a customer centric culture, involving all the strategic actions aimed at enhancing its cultural change, the analysis of the employee satisfaction surveys, and the customer satisfaction surveys it has promoted to measure satisfaction level and to put in place projects in response to this result.

It has been important to consider at first the peculiarity of the business in which the company operates. Being a BtoB company the type of customer value analysis should follow a slightly more complicated criteria in comparison to a BtoC company. This added intricacy to the analysis of the customer centric strategy, but it has been useful to confer equitable importance to this particular business sector in comparison to other “traditional” ones. Not to mention the difficulty in identifying the key decision makers for each business customer, being composed of different actors with diverse level of importance, something that has not to be managed when dealing with final users.

Going through the analysis of the case study, all the activities to enhance effectiveness in the initial phase of the customer satisfaction project have been analysed. When it comes to the actions in favor of the cultural change, by engaging heads of each department in the monitoring of this change, and providing employees with specific training activities dedicated to the customer centric principles, the company has been effectively able to enhance the first steps of this transformation. In this instance, on one side, the HR department played a paramount role in the organization of the training activities, on the other side the CRM department contributed to the achievement of coordination and integration of customer centric activities among different company’s business units.

On the strategic side of the project, the company started to analyse employees’ level of satisfaction, considering the assumption that in order to satisfy customers a company should start from the satisfaction of its employees. Thanks to the employees’ satisfaction

surveys implemented over the years, the company has been able to put in practice some activities in response to employee's feedbacks and to reach its first objective. Specifically, thanks to customer feedback received, projects of improvement on Marketing & Purchase, Sales, Website and Logistic areas have been possible.

Afterwards, by analysing the customer satisfaction surveys, identifying the proper KPI for this analysis (the NPS), the company has been excellently able to understand not only the level of satisfaction but also the principle causes of dissatisfaction, by linking the surveys' data with other customers' data the company already owned internally (annual revenues, website pageviews, transportation costs charged to customers and so on). Moreover, classifying customers among Promoters, Passives, and Detractors it has been able to understand which type of clients deserve higher attention in terms of increase of customer service quality (Detractors), and which of those merit "special treatment" as reward of being particularly loyal to the company (Promoters).

The current analysis is introduced by what the existing literature already explains about customer centricity, being a theme discussed by management and marketing scholars for more than 40 years. On the basis of these studies, over the years many companies have understood the potential of this strategy in enhancing competitiveness in the market, especially in a so unstable and uncertain economic system by which this historical period is characterized. However, it is important to consider that from Esprinet case study's analysis reasonings such as the difficulty to identify a correlation between customer satisfaction objectives with other company's performance objectives with the suggestion to gather historical data experience, the partiality of the survey's results with the proposal to exploit the omnichannel concept throughout different customer listening channel, the difficulty in considering the NPS as a customer satisfaction benchmark, and the inapplicability of the WOM strategy in the type of business in which the company operates create some challenges in relying on the current literature for applying the customer centric strategy properly. For this reason, from this analysis suggestions for further literature studies can be traced.

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