

Total Customer Value Management: Transforming Business Thinking

Gautam Mahajan

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The legendary words of Neil Armstrong, “That’s one small step for [a] man, one giant leap for mankind,” came to my mind after I finished reading the book, ‘*Total Customer Value Management*’ by Gautam Mahajan. In the arena of corporate thinking, a similar small step from a profit-centric approach to a customer-centric approach can revolutionize the entire business scenario; the message of the book is, only those companies which truly generate total customer value will survive in the future. Gautam Mahajan, an alumnus of Suffolk University’s Sawyer School of Management, Illinois Institute of Technology and IIT Madras, is a stalwart in customer value management and a leading consultant in corporate transformation. He has given a strong message to the corporate fraternity about why even the best of companies should come out of their shell of comfort and indulge in total customer value management in order to survive in the future. There was a time when the only objective of any business was to generate profit. With the passage of time, the focus of business shifted from a profit-centric outlook to one which was more customer-centric. In this context, Peter Drucker’s (1973, p.79) observation, ‘to satisfy the customer is the mission and purpose of every business’ assumes importance. Kordupleski and Simpson (2003) were pioneers in this area when they emphasized choosing, delivering and communicating customer value, to gain competitive advantage. Gautam Mahajan’s ‘*Customer Value Investment: Formula for Sustained Business Success*’ came next; in this book, he explained the concept of Customer Value Management, and showed how the adoption of the concept by a company can actually lead to sustained business success. The book under review extends the same thought, but by highlighting the responsibilities of the strategic and operational managers, chief marketing officers, and the frontline people, in embracing and implementing the concept.

There is a famous saying by Jack Welch, former CEO of GE, “If you are not thinking customer, you are not thinking.” Mahajan’s “*Total Customer Value Management*” takes us further in the same direction. Mahajan remarks,

“Total CVM requires that the company becomes totally Customer-centric and builds a Customer culture.” According to the book, the *raison d’être* for any business is to create value for the customers; accordingly, it exposes the readers to the various dimensions of managing total customer value. The book endorses the philosophy that each employee should think about how he or she can contribute value to the customers by identifying ‘necessary and relevant work.’ The book starts with a foreword by Adi Godrej, in which he appreciates the “holistic and all-encompassing” perspective of Total CVM and notes how the application of Mahajan’s concept succeeded in deriving “greater and more sustainable value” in Godrej. The beauty of the book is manifested from the preface itself. Instead of writing in a very abstract style, the author specifies every quantifiable result relevant to Total CVM. As the subtitle of the book suggests, the book deals with transforming business thinking, that is, how can an entire organization think about how to add value to the customer? To illustrate the benefits of implementing Total CVM, the author has provided a number of examples, including BSNL and Indian Airlines, where the lack of a proactive customer-centric approach ruined their market shares. Since managing is not possible without measuring customer value, the author designs separate questionnaires for the CEO, CFO, and COO to measure the contribution of each to customer value. Besides the specific actions required by the various nodes of the organization in implementing Total CVM, the author emphasizes an attitudinal change or a change in mindset.

The book is written in a very lucid style without heavy management jargon so that the concepts may be appreciated even by the front-line employees and entry-level managers. The book is written in a dialogue form between Doug, the newly appointed President and CEO of the retail food division of Glacier (a fictitious company, which sounds like the real world food company, Glazier) and Krish Kumar, the Customer Guru, who reminds us of *The Gita* where Lord Krishna offers valuable advice in terms of ethics, strategy, motivation, and

leadership. Other characters like Bob Ostrofsky, the profit-centric old-fashioned predecessor of Doug, Pam, Doug's wife, Vikki Solomon, Glacier's Head of Quality, Shirley Madison, CFO, Jimmy Vaidya, Head of Manufacturing, Jack Griswold, the COO, Jojo Mahindra, CIO, Rita Timko, Head of Sales and Marketing, enrich the conversations. Krish speaks with each of them individually to define their roles in implementing Total CVM, thus providing clear guidelines to every node of the organization about its duties and responsibilities in executing Total CVM. The book never feels heavy; the appropriate incorporation of tables, figures, charts and graphs grabs the reader's attention, and eases out any difficulty in appreciating the concepts. The book ends on an interesting note. Appendix 1 of the book highlights all the possible barriers in implementing total CVM and provides solutions to these. Appendix 2 demonstrates how the total CVM was implemented in Godrej, and recounts the related benefits of the implementation. The author believes that the success of the future lies in creating total CVM. This book gives the readers a clear idea about who should do what in delivering total CVM. The author mentions that many companies like Tata Power, Tata Chemicals Crop Nutrition and Agri Business, and Godrej HiCare's implementation of Total CVM resulted in "organizational transformation and improved Customer Value, efficiency, teamwork, lower complaints, higher referrals and sales,

and thereby increased profits." The benefits were perceived across borders and sectors. Assuring the significance of Total CVM, Vodafone's Managing Director for Australia, Graham Maher notes, "The CVM score was a leading indicator of Vodafone's market share. We were able to predict market share, a quarter out using CVM data to within 1% accuracy! And it predicted churn (loss of customers) accurately. In fact our Financial Director said, "The CVM score is more rigid and correct than any of our financial scores." Thus, the focus starts to shift from firm financial metrics to Total CVM score, where the value generated to the customers will be the common goal of intelligence and analytics. It is high time that corporates across different sectors and scale re-examined their business model and embraced Total CVM in their business philosophy.



References

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