

# PETER WEILL ON DIGITALLY DRIVEN CUSTOMER-CENTRICITY

AN INTERVIEW WITH THE CHAIRMAN OF MIT-CISR

*Peter Weill is chairman and senior research scientist at the Center for Information Systems Research (CISR) at the MIT Sloan School of Management. He recently spoke with The Boston Consulting Group's Benjamin Rehberg about ways that financial services companies can use digital technologies to drive customer-centricity.*

**Peter, you and your team have been studying digitization for some time now, and you are a thought partner of companies worldwide that are seeking to utilize digitization to achieve greater customer-centricity. In your experience, what key changes must a company make to succeed on this front, and how drastic do the changes need to be for a company to achieve sustainable advantage?**

To dramatically increase the quality of the customer experience using digitization usually does require fairly radical organizational surgery. USAA, for example, added a customer experience group, organized by life events, that sits between product owners—those responsible for the company's product lines (including credit cards, car loans, and mort-

gages)—and the customer. (See “Customer-Centricity in Financial Services Goes Digital,” on page 12.) In financial services companies that use this type of arrangement, the customer experience group is responsible for ensuring a great multi-product customer experience, measured with such metrics as the company's Net Promoter Score and cross-selling effectiveness. The product owners are typically measured by the P&Ls for their respective

products and by their degree of innovation.

For most financial-services companies, this means a fairly radical reorganization. But if you believe, as I do, that financial services is no longer a product play—that today it is more a multiproduct customer-experience play—packaging products organized by life events, for example, makes great sense. This, however, typically requires product consolidation.

## PETER WEILL

Peter Weill is chairman and senior research scientist at the Center for Information Systems Research (CISR) at the MIT Sloan School of Management. His work centers on the role, value, and governance of digitization in enterprises and their ecosystems. In 2008, Ziff Davis recognized Weill as number 24 of “The Top 100 Most Influential People in IT” and the highest-ranked academic. He has written award-winning books, journal articles, and case studies. His work has appeared in *Harvard Business Review*, *MIT Sloan Management Review*, and the *Wall Street Journal*.



Prior to joining MIT Sloan in 2000, Weill was foundation professor and chair of management (information systems) at Melbourne Business School, as well as a member of its board of directors. He continues his association as an MBS professorial fellow.

**What is the role of the CIO in this change journey? Can he or she take the lead?**

The CIO needs to ensure—using compelling data and case studies—that the conversation about how digitization threatens or provides opportunities for the company’s business model occurs at the right level. In most cases, this conversation should take place at the executive-committee level in which the CEO, working with the heads of the business units, must balance enterprise performance with the performance of the individual businesses. Simultaneously, the CIO can help prepare for the transformation by consolidating—typically starting with infrastructure and then progressing to applications—business processes (such as customer acquisition) and products, from the bottom up.

Our experience has been that financial services companies are relatively new to process optimization excellence, so this can entail significant cultural change. Many financial-services firms are industrializing their core banking environments, specifically, borrowing process optimization approaches from successful manufacturing companies such as Toyota. The product consolidation conversation is particularly challenging: there are often local winners and losers, so this needs to be managed by the COO or CEO, who is positioned to see across the entire organization. But these consolidation efforts have sizable potential benefits, particularly for reducing cost-to-income ratios and ensuring a better customer experience.

**Do financial services companies require new skills to make this transformation?**

Yes, especially in the areas of process optimization, mobile-app development, big-data analysis, and social

media. Partners can provide a fast-entry point for getting access to these skills, but in the end, the skills have to be absorbed into the company’s DNA. Case studies of other companies making the transformation can be very helpful and motivating for the company’s executives when they encounter the inevitable challenges.

To be successful in this transformation, most companies also need to enrich a number of their existing skills. It helps to have benchmarked performance against competitors, particularly relating to the customer experience, product complexity, time to market, and the number of products per customer—that is, the success of cross-selling efforts.

**How important is the role of digitized platforms?**

They play a critical role. At MIT CISR, we think of these platforms as shared digitized business processes and data that help companies flawlessly execute their core activities while maintaining world-class service levels and unit costs. The creation of the digitized platform requires the senior company leaders to agree on what is core and should be reused across the company (for example, the customer acquisition process and the credit-scoring process). The CIO and his or her team then lead the creation of these platforms.

Commonwealth Bank of Australia, for example, over a ten-year period, implemented a series of platforms that have helped make the company one of the ten top-performing banks worldwide. One of its platforms enables the bank to operate as an omnichannel company that gives the customer a seamless experience across all channels. CBA has also recently implemented a new core banking platform that has significantly consolidated, streamlined, and indus-

trialized the back office, with the goal of increasing CBA’s flexibility in offering new products, services, and bundles at lower costs.

**Peter, you have been traveling the world for many years and have talked with many organizations, CEOs, and CIOs. Are there companies that stand out in your mind as having been particularly successful in transforming themselves through digitization and a sharp focus on the customer? And are there commonalities among those companies?**

I feel fortunate to have had opportunities to work with great companies across the globe on leveraging digitization to achieve breakthrough performance. Among the companies that have inspired me the most are two I’ve mentioned already: USAA and CBA. Another is Banco Bilbao Vizcaya Argentaria.

Beyond traditional financial services, a company that has particularly impressed me is Seven-Eleven Japan. It empowers its sales clerks—who manage product categories and are, in many cases, part-time employees—to make hypotheses about which items will sell, on the basis of weather forecasts, school holidays, and their own understanding of their customer base. These hypotheses become orders, and the goods arrive, typically the next day, at 7-Eleven stores in downtown Tokyo. A logistics feat in itself. In the following days, the clerks receive feedback on handheld computers that reflects the accuracy of their hypotheses. By providing local empowerment and fast feedback that lets its sales clerks make better decisions over time, and by digitizing and automating its ordering process, Seven-Eleven Japan has become a true learning organization. In addition, the company has added financial services (including highly functional ATMs), bill payment, and payment-

by-mobile-phone capabilities to each store, building on its already great customer experience. Such spanning of industry boundaries to enhance a company's offering is both a major opportunity afforded by digitization and, for some companies, a major threat.

I think that what has helped these companies become successful is their understanding that digitization offers opportunities for dramatically improving the customer experience and

replicating that improvement across the whole company while reducing costs and decreasing time to market. But achieving this takes major organizational surgery. It's illustrative that, in these companies, it's much more difficult to tell who works in the IT unit and who works in the lines of business. This is evidence of the team approach required to blend the customer, process, data, and financial focus to achieve breakthrough performance.

**Peter, many thanks for your time and insights.**

*Benjamin Rehberg is a principal in the New York office of The Boston Consulting Group. You may contact him by e-mail at [rehberg.benjamin@bcg.com](mailto:rehberg.benjamin@bcg.com).*