

## Customer-Based Execution & Strategy for Educational Institutions<sup>1</sup>

This note describes the concept and implementation of a Customer-Based Execution and Strategy (CUBES). As shown in Figure 1, a customer-based approach uses three models.

**Customer model:** Who are the firm's target customers and what are their needs?

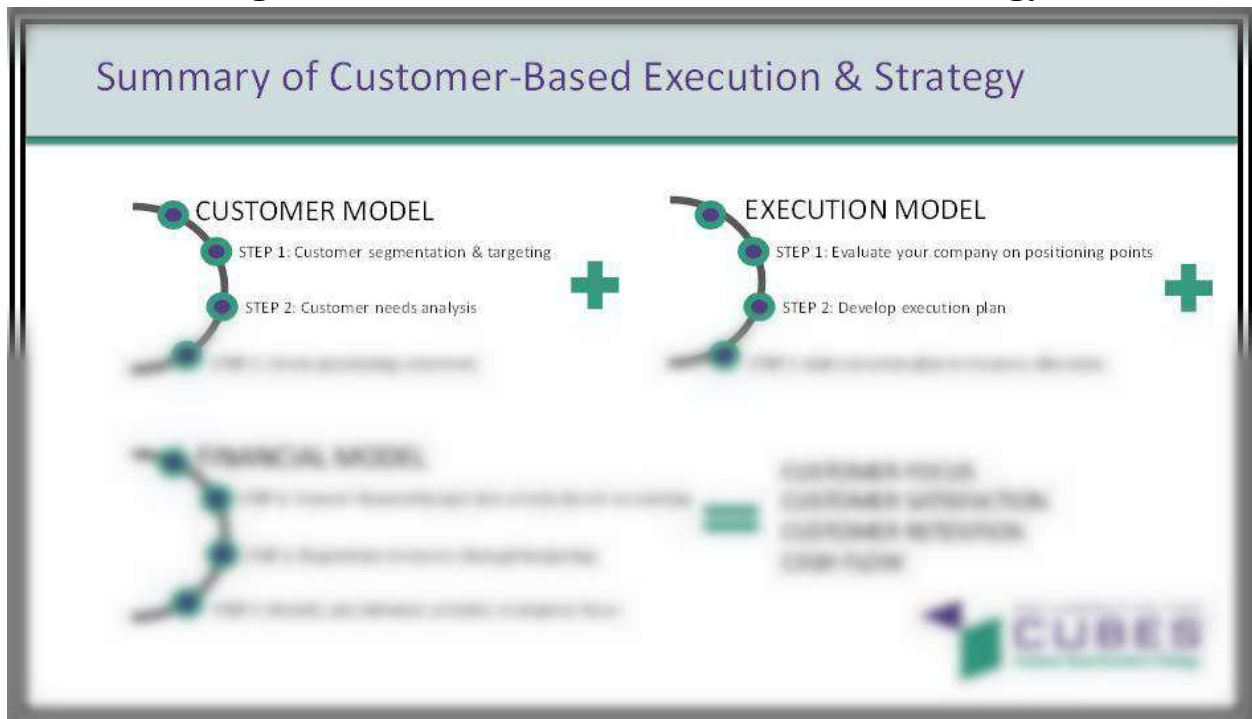
- a. Customer segmentation and targeting
- b. Customer needs analysis
- c. Positioning statement

**Execution model:** What strategic priorities should the firm execute to satisfy its target customer needs?

- a. Develop an execution plan based on the positioning statement
- b. Evaluate firm against competitors based on:
  1. Customer perceptions
  2. Objective metrics

**Financial model:** Can the budget support the customer model and execution model?

**Figure 1. Customer-Based Execution and Strategy**



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## WHY CUSTOMERS?

Customers provide firms cash flow in the form of sales, royalties, and fees. For non-profits, such as schools and clinics, non-paying customers are an equally important source of cash flow. For example, a public school is paid a fixed fee per enrolled student by the school district, while a clinic's grant funding may be tied to its number of patients.

Not surprisingly, the market value of a firm increases as its customer base strengthens. Customer satisfaction is the ultimate metric for measuring the strength of a firm's customer base. Increasing customer satisfaction leads to higher:

- Customer retention – customers stay with the firm over time.
- Cross-buying – customers buy more and different types of products and services.
- Positive word-of-mouth – customers recommend the firm to friends, family, and colleagues.
- Willingness to pay – satisfied customers are less price sensitive and willing to switch to the lowest price competitor.

Studies of research shows firms with higher customer satisfaction have higher levels of sales, margins, earnings before interest, taxes, depreciation, and amortization (EBITDA), and stock prices! But firms cannot satisfy every customer, so they must focus on target customer segments and ensure with ability to fulfill their customers' needs. This requires companies to answer several questions, which constitute the core of customer-based execution and strategy.

## CUSTOMER MODEL

*We could stick a sign outside this hall tonight and put 'rock concert' on it, and we'd have one kind of crowd come in. And we could put 'ballet,' and we'd have a somewhat different kind of crowd come in. Both crowds are fine. But it's a terrible mistake to put rock concert out there if you're going to have a ballet, or vice versa.*

*Warren Buffet, CEO, Berkshire Hathaway*

Every customer is unique, so satisfying all customers isn't the goal. A single key follows: Not trying to satisfy the needs of all customers is expensive and leaves a company vulnerable and uncompetitive. Companies can really enjoy dissatisfied customers.

Successful organizations focus on a targeted customer base with similar preferences and satisfy their needs. The first step in this process is to divide the firm's total customer base into relatively homogeneous segments. The second step is to decide which segments to target.

Step 1a: Assess the total customer base and identify segments. Also known as the total addressable market or potential market, this represents all the customers available for segmenting.

Following are examples of segmentation at Starbucks and a high school in Houston, Texas.

**Target audience for the Florida Business and Industry Skills:**

- **Target audience:** Customers who like specialty coffee and convenience, are willing to pay more, and enjoy an upscale experience.
- **Target audience for Starbucks' low-cost competitors (e.g., McDonald's):** Customers who like coffee, are not willing to pay a lot, and prefer speed to an upscale experience.
- **Non-target audience:** Customers who do not like specialty coffee at all.

**Target audience for the Florida High School: All high school eighth graders and teachers in the Broward Independent School District**

- **Target audience:** Teachers and students with high school needs, defined with an interest in technology, activities, and career.
- **Non-target audience:** Teachers and students were interested in sports and/or music.

These different segments have been identified. They may be profiled based on customer needs and descriptions. Customers needs are specific benefits desired from a firm. A firm can provide these benefits through products and services. Customer descriptions are specific demographic or firm size used to identify customers with different levels of needs. For example, the need for additional reading support may be higher among students whose teachers currently assigned to the neighborhood high school students may value the convenience and access convenience of Starbucks more than "middle class" professionals who may place higher value on rapid service.

**Step 1b: Customer-needs analysis.** Customer segmentation is the process of dividing customers into different groups (or segments) such that they have relatively similar needs. Thus, firms want customers within a segment to be similar and customers across segments to be different.

For strategic planning, the most useful way to segment customers is based on the needs a firm can satisfy. Rather than rely on intuition, the best way to determine customer needs is to use a structured methodology known as the [voice-of-the-customer](#).

The methodology involves a variety of techniques that enable a firm to:

- Identify the different needs customers have.
- Weight the needs based on relative importance to customers in different segments. The more important a need, the higher its weight. Customers in different segments usually have differently weighted needs.
- Rate its performance, as well as its competitors' performance, as perceived by customers, on the highly weighted needs.

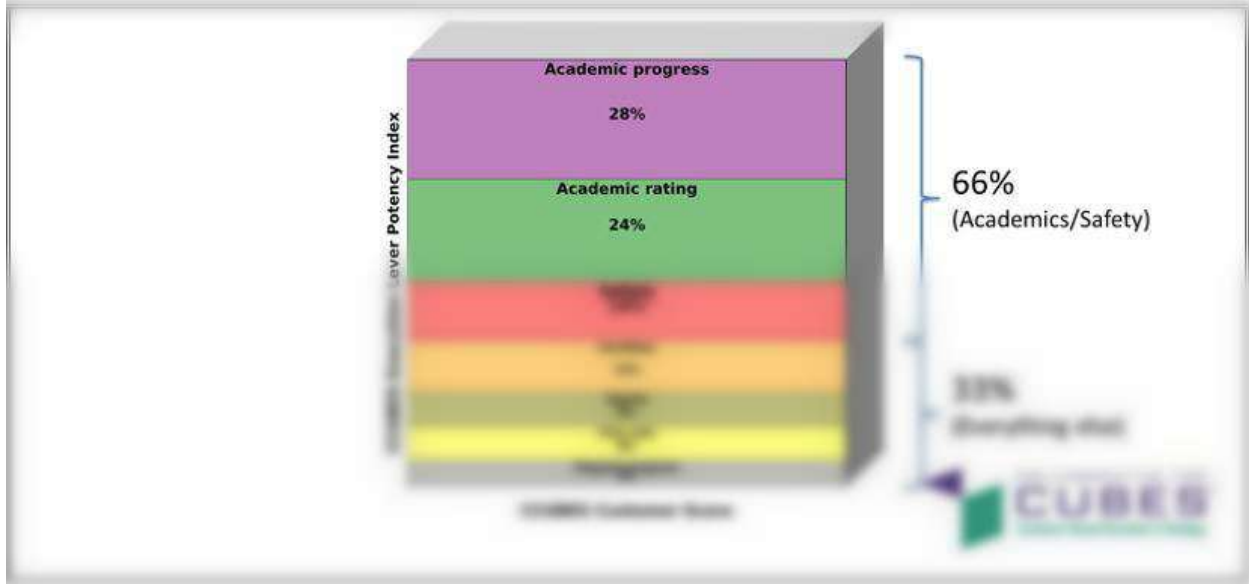
These determinations form the basis of a customer-based strategy and execution plan.

Consider, for example, Wright High School, which wanted to understand the needs of its target customers—students in the school district. Wright is one of the largest urban school districts in

the United States, and a large majority of families qualify for free-and reduced lunch. Based on the voice-of-the customer methodology, customer needs were identified, weighted, and rated.

The analysis identified seven needs (shown in different colors in Figure 2) and weighted them to allow prioritization. District leaders learned academic progress and rating, along with safety, constituted almost 66% of customer needs. Contrary to popular belief, the needs were virtually identical among different parent groups: African American, Asian, Caucasian, and Hispanic/Latino.

**Figure 2. Customer Needs & Weights for Parents in Urban School District**



Based on the analysis, the district focused its efforts on academics and safety to meet the needs of its target customers.

*Step 10: Develop a prioritizing mechanism. To focus efforts and resources effectively, your organization should develop a prioritizing mechanism that includes the following:*

- 1) *Weight.* The value of the problem, service, or requirement with which the customer interacts.
- 2) *Urgency.* An indicator, generally used in other ways to determine how and when responses to customer requirements change, requirements, and their associated importance. Weighted requirements based on customer service and customer perception.
- 3) *Complexity.* Prioritizing requirements should be similar with a single response to each of them but more than one single response. It will need more than one prioritizing mechanism. Prioritizing requirements by different responses usually differ. In some cases, they can be the same for different responses.
- 4) *Resource usage.* Weight can also be used to help implement customer needs. For other the needs or related to requirements are differentiated need for the single response relative to complexity. In other words, prioritizing needs are those required customer needs as

2). which the organization is at parity or superior to the competition. If the organization rates below the competition on important customer needs, then it must divert resources to improve performance to build parity or superiority on positioning points.

**Table 1. Positioning Statement Based on Customer Needs Analysis**

	Target Segment 1	Target Segment 2
1. Need	Highly important	Highly important
2. Usage	Highly important	Highly important
3. Target Segment 1	Highly important	Highly important
4. Target Segment 2	Highly important	Highly important
5. Positioning Point	Highly important	Highly important

The positioning statement summarizes the customer segmentation analysis and other information. The organization's customer strategy and how it will be executed. It provides planning for marketing as their position by assessing the company's capabilities and aligns.

- 1. Strategic focus of marketing and/or "how to do it" (with capabilities) or "how to do it" (high quality) and needed degree to see provide the strategic direction needed for execution.
- 2. Company's target market, including a marketing and communication strategy.
- 3. The primary value and other of the organization. These provide an additional dimension to the organization and should be consistent with the positioning statement. This also should provide the customer benefit, including regarding customer needs, values, attitudes, and how it is their offering more competitive, in both in budgeting and planning required to align with customer preferences.

## EXECUTION MODEL

*“Marketing isn’t somebody’s responsibility; marketing is everyone’s responsibility.”*

*Jack Welch, CEO, General Electric Co., 1981-2001*

The goal of an execution model is to develop a consistent, repeatable operating plan to deliver on key customer needs for target segments. This entails three steps:

**Step 1: Establish the business strategy and operating model.**

1.1. Define the business strategy.

1.2. Define the operating model.

**Step 2: Develop a consistent, repeatable operating plan.**

2.1. Develop a consistent, repeatable operating plan.

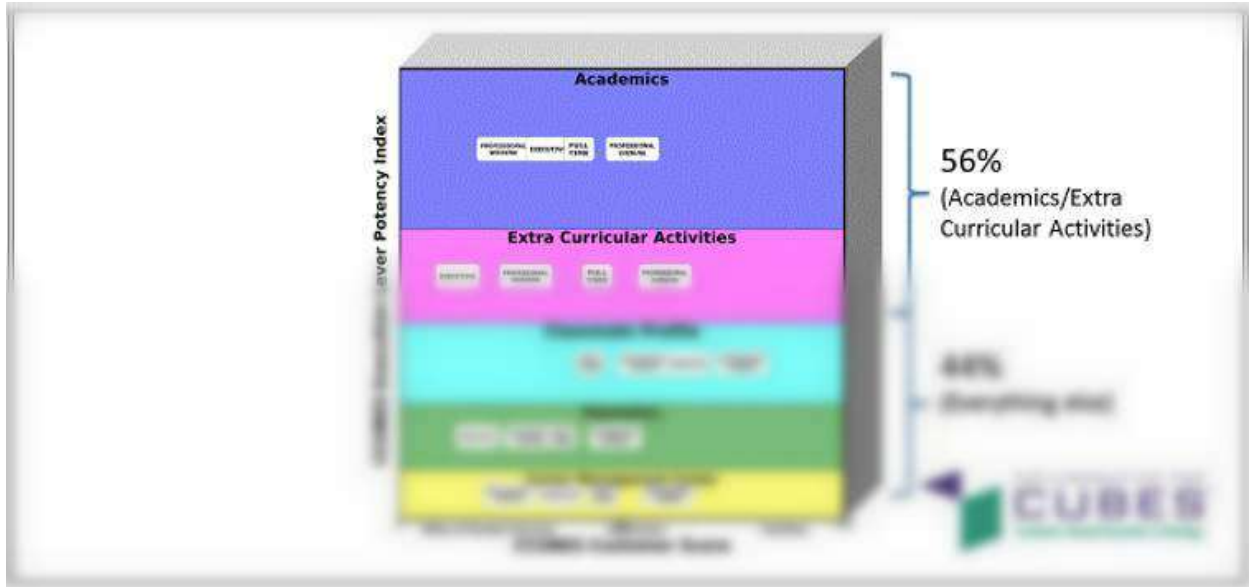
Consider the role of the operating model in the execution model. The operating model defines the business strategy, the operating model, and the operating plan. The operating model is the business strategy, the operating model, and the operating plan. The operating model is the business strategy, the operating model, and the operating plan. The operating model is the business strategy, the operating model, and the operating plan.

**Step 3: Implement the operating plan and monitor performance.**

1. Implement the operating plan and monitor performance.
2. Monitor performance and adjust the operating plan.
3. Adjust the operating plan to meet customer needs.

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**Figure 3a. Customer Needs & Weights for an MBA Program**



Assigning weights to its customers' needs enabled the administration to develop a positioning statement, which had never been done before. The positioning statement is detailed in Table 2.

**Table 2. Positioning Statement for MBA Program**

Competitor	Strengths	Weaknesses
University A	Strong academic reputation, excellent faculty, and comprehensive curriculum.	Limited focus on practical skills and career development.
University B	Strong industry connections and excellent career placement services.	Less emphasis on academic rigor and research.
University C	Strong focus on practical skills and career development, with excellent industry connections.	Less emphasis on academic rigor and research.
University D	Strong academic reputation and excellent faculty.	Limited focus on practical skills and career development.

Our MBA program is the only one in the region that offers a comprehensive curriculum that combines academic rigor with practical skills and career development. We are committed to providing our students with the best possible education and career preparation.

**Key Messages:**

- 1. We are the only MBA program in the region that offers a comprehensive curriculum that combines academic rigor with practical skills and career development.
- 2. We are committed to providing our students with the best possible education and career preparation.

- An additional analysis identified the execution levers of academics and extracurricular activities. The execution levers led to several activities:

1. The school board developed a strategic plan for the school district that included a focus on academics and extracurricular activities.
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**Implementation:** The school board developed the following activities to execute the strategic plan and build a quality program for the school district:

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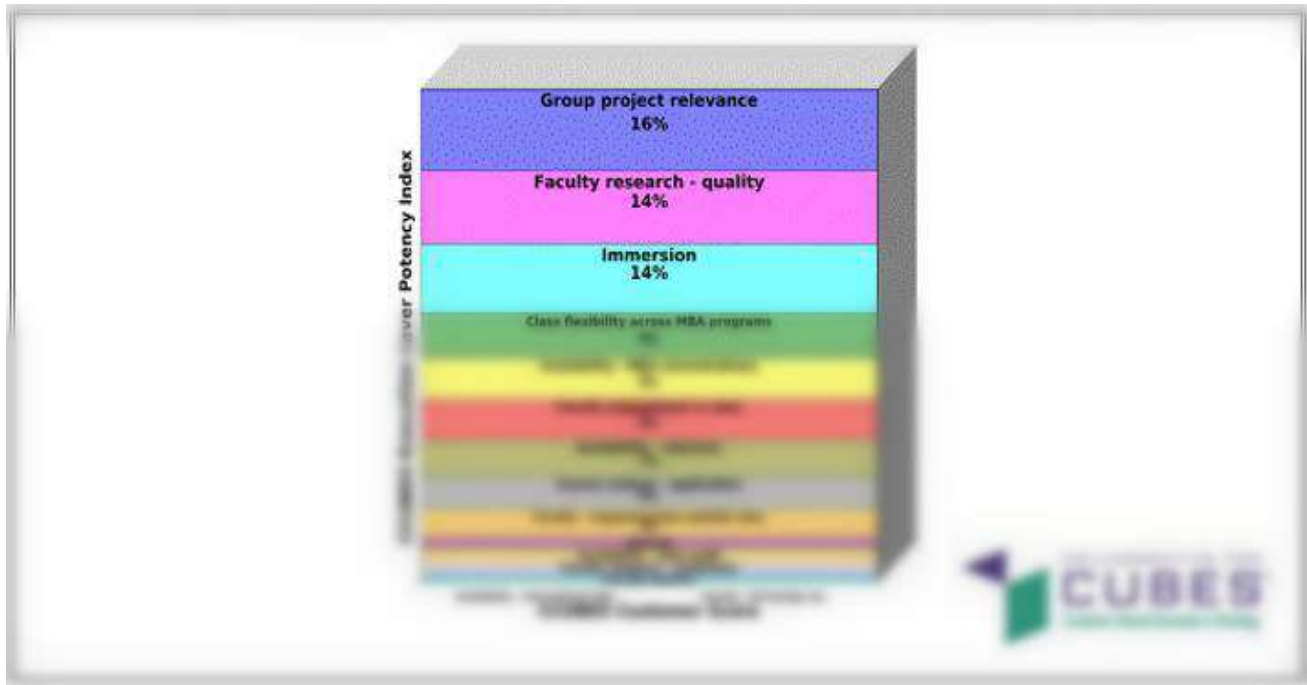
**Impact:** The school board developed a strategic plan for the school district that included a focus on academics and extracurricular activities.

**Why do we need the implementation plan to execute the strategic plan?** The implementation plan is the key to executing the strategic plan. It provides a clear path for the school district to follow and ensures that the school district is on track to achieve its goals. The implementation plan also provides a framework for the school district to use to measure its progress and make adjustments as needed.

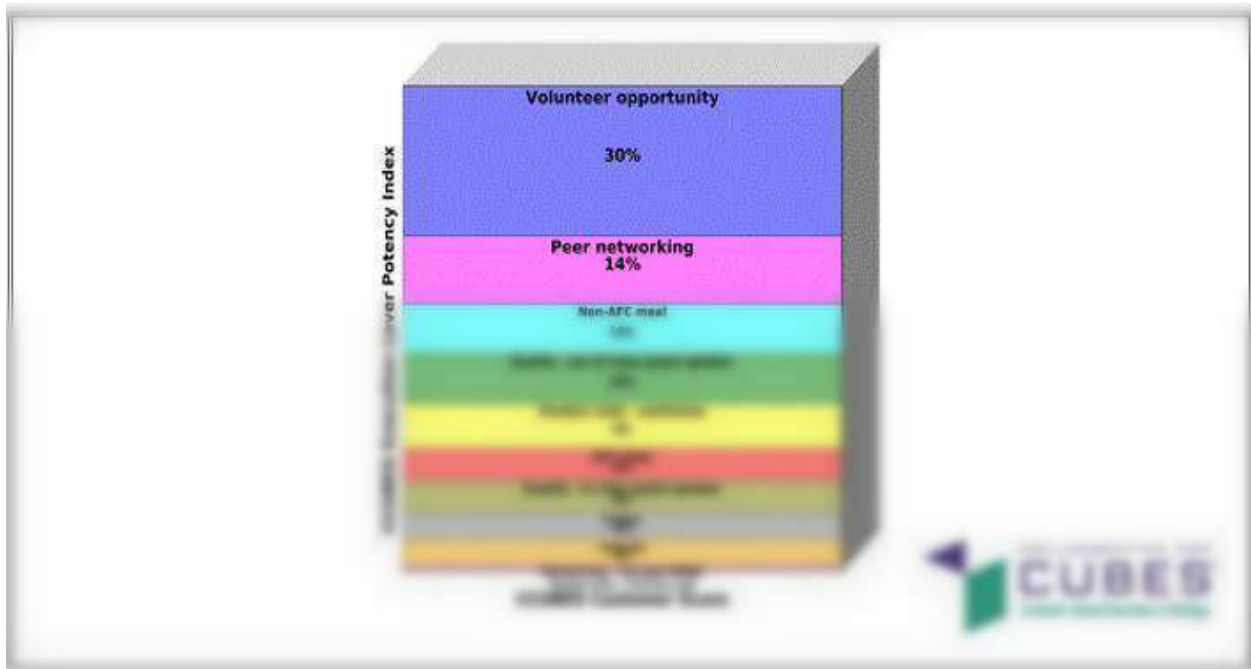
**Benefits of the implementation plan:** The implementation plan provides a clear path for the school district to follow and ensures that the school district is on track to achieve its goals. It also provides a framework for the school district to use to measure its progress and make adjustments as needed.



**Figure 3b. Execution Levers for Academics in MBA Program**



**Figure 3c. Execution Levers for Extracurricular Activities in MBA Program**



## FINANCIAL MODEL

*“Don’t tell me what you value. Show me your budget, and I’ll tell you what you value.”*

*Joe Biden, former Vice-President of the United States*

An organization’s budget allocation reflects its strategic priorities. Studies have shown firms that align their budget to customer needs are more successful than firms that do not.

Tiffany & Co. and Walmart are both successful retailers with different customer needs. Tiffany’s customers require high levels of service and advice and do not need 24-hour access (i.e., they value convenience less). Walmart’s customers are willing to give up customer service for low prices and convenience.

**Table 3. Budget Alignment at Walmart and Tiffany & Co.**

	Walmart	Tiffany & Co.
Customer Service	Low	High
Product Quality	High	High
Price	Low	High
Convenience	High	Low
24-hour Access	High	Low
Customer Advice	Low	High

The table above compares the budget allocation of Walmart and Tiffany & Co. based on their customer needs. Walmart’s budget is heavily weighted towards convenience and price, while Tiffany & Co.’s budget is heavily weighted towards customer service and product quality. This reflects the different customer needs of each retailer.

The budget allocation of Walmart and Tiffany & Co. is a result of their different customer needs. Walmart’s customers are willing to give up customer service for low prices and convenience, while Tiffany & Co.’s customers require high levels of service and advice.

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management was asked to break down two categories, salaries and services, into different categories for budget alignment.

**Table 4. Financial Budget Versus Customer-Alignment Budget**

Category	Financial Budget	Customer-Alignment Budget
Salaries	\$1,200,000	\$1,200,000
Services	\$800,000	\$800,000
Travel	\$100,000	\$100,000
Marketing	\$200,000	\$200,000
IT	\$150,000	\$150,000
Facilities	\$100,000	\$100,000
Professional Fees	\$150,000	\$150,000
Other	\$100,000	\$100,000
<b>Total</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>

The following table provides a breakdown of the budget categories and their respective amounts. The total budget is \$2,500,000. The financial budget is broken down into salaries and services, while the customer-alignment budget is broken down into salaries, services, travel, marketing, IT, facilities, professional fees, and other.

- 1. Salaries: \$1,200,000
- 2. Services: \$800,000
- 3. Travel: \$100,000
- 4. Marketing: \$200,000
- 5. IT: \$150,000
- 6. Facilities: \$100,000
- 7. Professional Fees: \$150,000
- 8. Other: \$100,000

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- 7. Professional Fees: \$150,000
- 8. Other: \$100,000

Ultimately, nothing is free. Any activity, even if unpaid, consumes time and coordination resources. In one school, the principal reduced the number of student clubs from 83 to seven, not only allowing the school to support each club better, but also saving teachers time that could be re-invested in tutoring. Scholastic performance improved after the reduction.

## ADDITIONAL CONSIDERATIONS

Reducing the number of clubs can help schools focus on supporting a smaller number of clubs, allowing them to provide more resources and support to each club. This can lead to improved student outcomes and a more efficient use of school resources.

By reducing the number of clubs, schools can ensure that each club receives the attention and resources it needs to succeed. This can lead to a more focused and effective program that better serves the needs of all students.

Reducing the number of clubs can also help schools manage their budget more effectively. By focusing on a smaller number of clubs, schools can allocate their resources more efficiently and ensure that each club has the necessary support to thrive.

Implementing a reduction in the number of clubs can be a challenging process, but it is one that can lead to significant improvements in school performance. By carefully selecting the clubs to support and providing them with the necessary resources, schools can create a more effective and sustainable program.

Reducing the number of clubs can also help schools better align their programs with their overall mission and vision. By focusing on a smaller number of clubs, schools can ensure that each club is a high priority and receives the necessary support to succeed.

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There are more than \$90 million dollars from 50 different private funders supporting hundreds of programs in Newark's 94 schools, including the matching funds pledged by Mr. Zuckerberg's Start Up Foundation. Unfortunately, with a survey of school principals conducted last year, we have also found that nearly half of these programs are clustered in fewer than 10 schools...An array of seemingly unconnected programs based on questionable premises have taken root. Such programs include an attempt to improve literacy through yoga and an effort to improve students' social skills with the adoption of classroom pets.

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