Unlimited Potential

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The Quest for Great Customers

Most CEOs hope a stronger focus on customers will protect them from eroding profit margins and commoditization. But getting closer to customers is not a matter of installing better CRM systems or simply measuring satisfaction levels.

Companies can take advantage of new, increasingly efficient ways to understand and respond to customer needs and preferences. We now have the ability to connect with buyers in more meaningful ways—connections that can benefit the bottom line by reducing costs and increasing revenues.

Close examination reveals that relationships between companies and consumers are suffering. U.S. satisfaction rates are at an all-time low. Complaints, boycotts and growing unhappiness with big corporations are strong indicators that most CRM isn't working.

Ironically, the very steps marketers are taking to build relationships with customers are often responsible for destroying these connections.

Companies may delight in learning more about their customers and providing services to please them, but customers are fed up. They're tired of irrelevant survey questions, overwhelming product choices, features they'll never use in phone plans and cars, and rebate-driven buyer reward programs.

What's Missing?

Perhaps we're overlooking the fundamental elements of a good customer relationship program. With the means to connect with customers easily, maybe we're rushing to cash in on the potential rewards, while forgetting the essentials of all relationships: intimacy and trust.

Customer relationship marketing is powerful in theory, but troubled in practice. We need to take time to figure out how and why we are undermining our own best efforts. Let's start by taking a look at what's wrong with most relationship marketing approaches.

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What's Wrong?

In their article "Preventing the Premature Death of Relationship Marketing" (*Harvard Business Review,* Jan.–Feb. 1998), Susan Fournier, Susan Dobscha, and David Glen Mick delineate four mistakes companies make in relationship marketing.

1. The number of one-on-one relationships that companies ask consumers to maintain is untenable. People maintain hundreds of one-on-one relationships in their personal lives, so how can we really expect them to have one with your company? It's overkill. As a result, many one-on-one marketing initiatives seem trivial and useless instead of unique and valuable.

2. There's a balance between giving and getting in a good relationship. When companies ask their customers for friendship, loyalty and respect, they often fail to reciprocate. Consumers also perceive requests for personal information to be intrusive. So are evening marketing calls and hundreds of pieces of mail. Companies claim they're interested in their customers, but the focus is really on their business needs—not the consumer.

3. Companies' claims that customer relationships are valued don't hold water. People sometimes feel they're at a disadvantage when they're loyal to a company. A company's preoccupation with its so-called best customers may neglect other revenue-generating customers, who feel underappreciated.

4. Companies want people to think of them as allies and friends, but often come across as enemies. While claiming to offer consumers solutions, companies can actually create more problems.

While companies try to be everything to everyone, customers view this approach differently, contending with a bewildering array of product offerings. According to Fournier, Dobscha and Mick, more than 2,500 new products vie for attention on supermarket shelves.

Coke is available in more than 50 product and packaging variations, Crest toothpaste in 55 and Snapple in more than 70 (even though only six flavors dominate sales). Negative feedback from consumers is often viewed as "temporary resistance to change," with companies failing to recognize there are optimal levels of choice.

Consumers consequently complain of loss of control, vulnerability, stress and victimization, viewing companies as enemies instead of allies. The larger the company, the more likely consumers perceive it to be uncaring and principally interested in increasing shareholder value.

Regaining Customer Trust

In 1985, psychologists Michael Argyle and Monica Henderson of Oxford University defined several basic universal rules of friendship:

- Provide emotional support
- Respect privacy
- Preserve confidences
- Be tolerant of other friendships

When companies violate these basic rules, they lose customers' trust. If companies truly want to build relationships with consumers that lead to rewarding partnerships, they must regain trust through actions—not empty and meaningless words. We must listen to and respect our customers.

Why not take the false sincerity out of customer relationship management and be honest about our commercial intent? Consumers already know companies want their money and loyalty. If companies truly want consumers to partner with them, they must focus on customers' needs and wants—not the company's.

The Quest for Customer Focus

When companies concentrate on customer relationships, they usually devote most of their attention to the CRM system and the tools and technology that monitor customer satisfaction. But developing customer relationships is not a concern for the IT or marketing department. The entire organization must be customer-oriented.

Indeed, companies that focus on their customers have proved to be more successful. In "The Quest for Customer Focus" (*Harvard Business Review*, April 2005), Ranjay Gulati and James B. Oldroyd examined 17 diverse companies that concentrated on becoming more customer-focused over a two-year period. Three concepts emerged:

1. Successful customer-focused companies learn everything possible about their customers. They create a comprehensive picture of each customer's needs—past, present and future.

2. They know this picture is useless if employees can't or won't share what they learn about customers.

3. They use these customer insights to guide product and service decisions. Customer information is used as their basic strategy and organizational structure.

Over time, the most successful companies find new ways to manage the flow of information about customers. They develop routines for decision making that incorporate customer preferences. They shift the locus of customer-focused efforts away from a centralized hub to a more dispersed set of activities that span the entire enterprise.

Customer-focused activities are no longer the concern of marketing, IT and analytics groups. They have been shifted down to the line organization, where employees are given the necessary autonomy and latitude to focus on the customer in virtually every action.

Standardization Versus Localization

Customers are rebelling against cookie-cutter chain stores that treat them exactly the same. One size no longer fits all. Another way to connect with customers is to offer products and services customized to local preferences.

For years, the big companies have pursued strategies of standardization. Success for retailers and product manufacturers now hinges on their ability to cater to local differences, while maintaining scale efficiencies.

Titans like Wal-Mart, Best Buy and McDonald's have finely tuned standardizations and rolled out their winning formulas internationally. But this era is ending as consumer communities are growing more diverse in ethnicity, wealth, lifestyle and values.

Smart retailers are starting to customize their offerings to local markets. They offer distinct products in different types of stores, with alternative approaches to pricing, marketing, staffing and customer service. They're moving from standardization to localization.

And the companies that are doing this are finding renewed success. But they can't offer local preferences unless they know what their regional customers want and need. The Internet is becoming a rich data repository of consumer demands.

The New Frontier: Mining the Internet

With the proliferation of online stores that complement traditional outlets, companies now have a tremendous source of information about consumers' preferences. Because a traditional store may not always have a product on its shelves, purchase results are not always a good measurement of desires. Online stores can track consumer demand patterns more precisely, as they offer extensive ranges of products to national and global customers.

The web is more than a sales channel; it is a powerful means of collecting data in real time. The Internet is truly the new frontier in connecting with the customer, offering a huge opportunity for companies to improve customer relationships.

Overpromise, Overdeliver

Capturing customers and keeping them is all about creating brand promises and delivering them. This means companies must do what they say—and more. In short, you must exceed customers' expectations.

According to Rick Barrera, author of *Overpromise and Overdeliver: The Secrets of Unshakable Customer Loyalty* (Portfolio, 2005), companies have three points of contact through which they can overdeliver and win customers' hearts:

1. Product touch points: This occurs whenever your customers interact with the products or services your company sells—when they handle, buy, use and dispose of your products. Buying decisions are made at these pivotal times, and focusing on customer experiences at these touch points will improve CRM.

2. Human touch points: This occurs when customers directly interact with your staff—usually the frontline people who can empathize, clear up misunderstandings and tailor solutions to particular circumstances. Frontline employees must have the necessary resources to help consumers, as well as the decision-making power to act.

3. System touch points: These include all other points of contact between a company and its customers, such as the systems and processes used to facilitate transactions and interactions. Examples include paper invoices, frequent buyer programs and the Internet. With such technology, companies can make their biggest gains in overdelivering, reducing the variables that hinder consistently excellent service.

The New Social Marketing: Buzz and Word of Mouth

Where does marketing enter the mix? Some experts claim the old days of “push” marketing are over, where a company shoved a one-way message to customers via print or TV. Corporations are asking themselves just how much return on investment there really is from a 30-second Super Bowl commercial.

Consumers are turning away from media and, instead, tuning into each other. Engagement and word of mouth marketing are the buzzwords of this new era. Customers are doing their market research online and listening to each other. Unfortunately, many marketers continue to look at engagement in a one-sided way.

Corporate blogs have become an excellent resource for CEOs and others to connect with customers in a personal manner. In spite of the possible pitfalls in opening two-way communication between the public and employees, there is much to be gained by being personable, accessible, authentic and transparent.

Customers are already communicating with each other online about products and experiences with your company. If you can join the conversation in a real way, in real time, you’ll have an advantage over those who remain silent and inaccessible behind corporate doors.

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