

## **No OTHER ALTERNATIVE:** DOING BUSINESS ON CUSTOMER TERMS

*“We were going to build this company from the customer back, not from the company out.”*

– CEO Louis Gerstner  
explaining how he turned IBM around

**Summary:** Mass-market companies see themselves as sellers to customers. The customer and demand economies require that they operate as “buyers” on behalf of customers, adding customer-specific value and coherence to offerings. This requires doing business on customer terms, which incorporates interaction, communication and segmentation. *Interaction* requires that customers be able to contact a firm through a choice of media, ranging from the phone to the Web, and receive an effective response. *Communication* means that all communications are relevant, based on customer preferences. Ideally, such communications are based on appropriate timing. *Segmentation* enables tailored matches between offerings and customers as well as more effective relationships. In the future, Web services and other technologies will not only automate many common transactions but lead to wider and deeper relationships among customers, Fusion-Brands and even competitors.

**In 1993, IBM** (ibm.com) the once-bright star of the U.S. mass economy, was in deep trouble. The dominant question was, “Will IBM survive?”

Then the board of directors selected Louis Gerstner Jr., a former McKinsey consultant who had become president of American Express and CEO of RJR Nabisco. He quickly diagnosed IBM’s problem – insularity that had left it out of touch with customers and the marketplace. Employees spent more time working on complex organizational charts than dealing with customers.

So Gerstner did two things. He banned organizational charts. And, instead of dividing the company into 13 loosely linked “Baby Blues,” he concentrated on offering integrated solutions that enabled IBM to do business on customer terms. In his words: “We were going to build this company from the customer back, not from the company out.” No longer would IBM only offer homegrown technology.

He started with IBM Global Services, a small division, and drove it to “look at technology through the eyes of the customer” by working with Oracle, Sun and “God forbid, Microsoft.” Today, IBM’s revenue has grown from \$64.5 billion to \$85.9 billion. IBM Global Services employs 150,000 people, up from 7,600 in 1992.

Gerstner was able to turn IBM around partly because of a key insight. In the customer economy, companies are no longer *sellers* of internal offerings. Instead, they are *buyers* for customers. In other words, a FusionBrand is based on adding value and solving problems on behalf of customers, whether or not an immediate sale is involved. A relationship is then established, based not on what companies sell but on how well they “buy” for customers – even, as IBM had to swallow hard to accept – offerings from competitors.

For example, a major consumer goods manufacturer sells about 60% of its goods through 50 retail chains worldwide. The company is enabling customers to buy online and either arrange for store pick-up or home delivery. It is doing this not only for its own products but also for smaller, non-competing items. In effect, it is “buying” for customers, acting as an empowered agent to provide them convenience and value. The payoff, of course, is a deeper relationship, trust and a stronger FusionBrand.

This change in perspective requires redefining the terms, “relationships” and “customer value.”

Companies say they want relationships with customers. Too often, however, they want it on their terms. To them, a relationship consists of profitable purchases over time. But a relationship is more

than a series of transactions. Nor is a relationship about knowing more about customers to sell them more. Neither is it about linking them more closely through proprietary technologies and other tricks.

In the customer economy, a relationship must be based on interactions that benefit customers – from their perspective. The interactions must erase points of pain, increase customer profitability/satisfaction or eliminate uncertainty. Nothing else can build the trust and loyalty that's vital to FusionBranding. Doing business on customer terms is especially important for international markets.

Companies also speak of creating customer value. They usually mean more valuable customers. In their eyes, this means selling them more, more often, at less cost. The result is predictable. It's estimated that 80% of customer problems are caused by management policies that are cost-driven, rather than customer-driven. While sales are obviously vital, gains will come from increasing the value of the FusionBrand to the customer, not necessarily the value of the customer to the company. Relationships can't always be defined in terms of sales volume.

When companies shift focus from "selling" to "buying" and look at relationships and value from customer viewpoints, they are moving toward a key FusionBrand requirement – doing business on customer terms. This is defined as giving customers the widest possible choices in terms of sales, service and support while, at the same time, personalizing relevant communications and interactions according to customer requirements. In effect, customers shape their interactions with the firm while still receiving value, responsiveness and relevancy.

It's a difficult shift for those raised on mass-economy habits. After decades of seeing customers as "targets," it's hard accepting customer control over what constitutes a relationship.

Tax software leader Intuit ([intuit.com](http://intuit.com)) provides an excellent example of doing business on customer terms, and what the payoffs can be. In 1995, the company found a bug in the company's flagship tax program. Although the bug affected less than 1% of the company's customers, management immediately sent out a press release, offering to send a new copy of TurboTax to any customer who requested it. No proof of purchase was required, even though this opened the firm up to sending software to thousands who were using pirated software. Intuit also offered to pay the tax and penalties caused by the bug, if necessary.

Compare Intuit's actions on behalf of its customers with how Intel ([intel.com](http://intel.com)) acted with flaws in the Pentium chip and Firestone

(firestone.com) acted with its tires. Firestone even blamed customers for “underinflation.” Doing business on customer terms has paid off for Intuit. It remains the market leader with millions of loyal customers, despite the best efforts of larger competitors to dethrone it.

Doing business on customer terms is different from “being easy to do business with.” “Being easy to do business with” implies facilitating interactions and resolving problems quickly. That is important, but doesn’t go far enough.

Doing business on customer terms requires deeper involvement. It means approaching issues and processes from the customer’s perspective. It’s “how does the customer want it done,” not “what can we do for the customer.” The customer is looking for results, not a predetermined calculation of how the customer wants business done. For example, ABB Automation ([abb.com/usa](http://abb.com/usa)) routinely services assemblies containing competitor’s products. “Doing things the customer doesn’t expect is what gives us our competitive edge,” said John Barnes, vice president and general manager.

As part of changing perspective from “easy to do business with” to doing business on customer terms, one well-known credit card company is posting a sign above every door – “think of yourself as a customer.”

Companies that “think of themselves as a customer” are even willing to refer prospects to competitors if they cannot meet their immediate requirements. PC distributor MicroAge ([microage.com](http://microage.com)) offers data on rivals’ inventory when it is out of stock. When storage manufacturer EMC ([emc.com](http://emc.com)) had quality problems, it offered to replace its systems with new ones from its primary competitor, IBM.

Both customers and companies benefit from doing business on customer terms. Customers, obviously, get offerings based on what they need, not what companies need to sell, and better service. Trust and loyalty rise because customers gain relevant and timely interactions as well as information that helps them achieve their goals. Companies increase customer value, gain valuable insights and build a competitive edge. It also promotes operational excellence. According to Accenture, large-scale initiatives typically fail at companies with managers who know nothing about what customers want.

Doing business on customer terms is the essence of FusionBranding. Mass-economy brands could be built by focusing on increasing sales volume. But success in the customer economy requires not an immediate sale but a relationship that’s built and expanded over time.

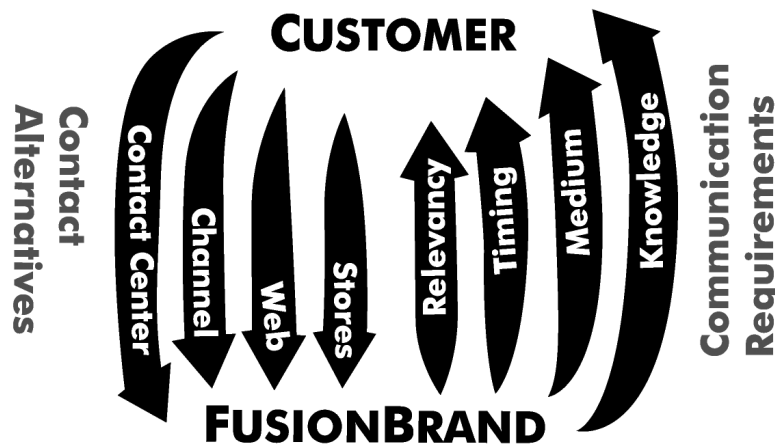
## How To Do Business on Customer Terms

Before business can be done on customer terms, a key question must be answered: Who is the customer? This is a more complex question than it appears at first. Is the relationship defined at the site, department or corporate levels? Who makes the purchase decision? Who requires the service and support? Who uses the product? Remember, the customer may not be just the one who writes the check for the order.

The answers are key because it is impossible to provide meaningful reasons to purchase, as well as outstanding service, to all customers. Capabilities and service must be differentiated in the ways that mean the most to customers. This differentiation can occur on multiple fronts – convenience, bundling, functionality and/or service. FusionBrands must be willing to walk away both from situations where they cannot provide superior value, and from customers who do not contribute value to the bottom line.

The next step is external and internal understanding of those customers. Externally, companies need knowledge about customer characteristics, preferences, requirements, priorities and processes. Based on customer input and operational interactions involving sales, manufacturing and other business units, this information must be continuously updated and expanded.

For some FusionBrands, it is also necessary to understand the needs of the “true customer,” sometimes called the end-user. Sometimes middlemen put obstacles in the path of understanding these actual customers, but companies need to use warranty cards, surveys, help desk calls and other tools to understand actual usage and



requirements. Even though Rubbermaid (rubbermaid.com) sells mainly to large retail chains, it operates its own stores to listen to and learn from customers.

However, this information-gathering must be on customer terms. You should only know what customers want or need you to know. Information should never be gathered surreptitiously; otherwise, the vital element of trust may be lost. Most customers are more than willing to tell companies what their requirements are. FusionBrands not only ask; they respond.

It's also important to know customer goals for the relationship. By knowing what customers expect, companies know what they have to do to meet those expectations. Such knowledge also helps companies segment customers more effectively. Obviously, a customer that says it will always look for the lowest price is one who will generate only minor profitability, at best.

Customer information must be integrated and accessible internally. This allows customers to enjoy consistent interactions, an important element of FusionBranding. Although this capability may require investments in technology, training and enhanced organizational capabilities, it pays off in lower costs, increased sales and stronger relationships.

Internally, companies must be able to understand the relationship in terms of customer equity. Does customer profitability justify high service and support levels? Or does customer price sensitivity and/or support intensity cost the firm more than they are worth?

Doing business on customer terms has three components: interaction, communication and segmentation.

## Interaction

The customer economy is transforming the traditional contacts between buyer and seller into a customer-driven multimedia, multi-channel experience that can deliver highly tailored offerings to customers. This means FusionBrands must have hybrid, multichannel "access points" for sales, support and service interactions. Where possible, customers should be able to order via phone or from a catalog, access a Web site for information, receive information and updates via email, visit a store, use an in-store kiosk or talk to a salesperson over the phone or in a chat session. This allows customers to choose the path most suitable for their purchase, informational or other requirements. Web site FAQs (frequently asked questions) may

be enough for a minor question; an emergency requires a phone call.

No matter which options they choose, customers should enjoy consistency, accuracy and responsiveness. In a 24/7 world, some sales and service options must be available around the clock.

For larger companies, a key access point can be a customer-specific, access-controlled Web site. The site is personalized with up-to-date configuration, pricing, support and other customer-specific content about the FusionBrand and related issues. Sophisticated customers can even integrate such a site into existing procurement systems. If information cannot be found on the site, customers have the option of emailing, calling or even using “call-me” buttons that incorporate Web telephony. Such a site, of course, is also great for delivering targeted, relevant marketing information.

Doing business on customer terms with multiple access points enables customers to customize levels of ordering, support and service with self-service, customization and one-on-one support.

Self-service allows customers who know what they want to get it as efficiently as possible. GE ([ge.com](http://ge.com)) has enabled customers to perform some tasks previously performed by employees. Formerly, for example, customers looking for a particular plastic would confer with a GE sales representative about color and other specifications. Then the representative would send samples to the customer for selection. The process took about two weeks. Now, customers can find suitable samples online, and have them sent automatically. Selection can be made within a week. The payoffs from self-service: customers think they get better service when they can do it themselves – and it lowers costs.

Self-service takes other forms as well. At personal beauty site Reflect.com ([reflect.com](http://reflect.com)), customers can create “one-of-a-kind beauty products inspired by your individuality.” Nike ([nike.com](http://nike.com)) lets customers design their own shoes, and Dell’s ([dell.com](http://dell.com)) customers can mix-and-match components for their ideal PC.

Another common form of self-service is order- or service-tracking. A GE business unit has opened its databases to enable fleet managers to access current usage and problem reports, audit expense reports and even check odometer readings on leased vehicles. FedEx, UPS ([ups.com](http://ups.com)) and other carriers allow customers to view shipment status.

Companies benefit from multiple access points in other ways besides increased trust and loyalty. Low-equity customers can be “downshifted” to less expensive channels for sales and support. Customers who make frequent small orders may be more cost-effectively handled

via the Web than customers with complex customized requirements. Additionally, segmentation by channel allows targeted communications that increase customer equity.

FusionBranding interaction on customer terms also requires improvements in the breadth and the depth of information retrieval and service. Sales and support personnel must be knowledgeable about each customer they serve, based on experience or unified information access. They must also be able to solve most customer issues within a single call. No customer should have to call several times, “resetting to zero” each time, or shuttle among several people to resolve basic issues.

This capability requires access to previous customer interactions, requirements and preferences as well as current product, customer and other information. It’s a capability too few companies have. Building the infrastructure that supports such capabilities is usually a better investment than mass-market advertising.

Phone, email and other customer communications can be handled in a contact center (see Chapter 11, “FusionBrand Service: Owning the Customer Experience”) or by sales or support personnel enabled by unified communications – the ability to access fax, voice mail and email from a single device. For example, at the Jim Hudson Lexus/Saab dealership ([jimhudson.com/lexussaab](http://jimhudson.com/lexussaab)) in Columbia, South Carolina, the sales manager carries a wireless email pager that can monitor requests from customers surfing the dealer’s site. The manager can then respond to customer issues immediately.

A contact center must be staffed with trained, knowledgeable representatives. Where possible, they are dedicated to a particular customer. They can also access relevant, up-to-date information about purchases, infrastructure, policies and procedures. If they cannot help the customer, they have immediate access to those who can.

Ideally, companies should be aware of customer interactions in all channels. However, companies are still a long way from the integration that creates seamless customer experiences and knowledge across channels (see Chapter 17, “Orchestration: Getting Partners to Work in Concert”). A study by Accenture of 175 marketing executives at firms with more than 5,000 employees found that 65% are struggling to integrate and share customer data across the organization to develop a single customer view. At a minimum, companies should coordinate customer contact. Too often, different business units call on the same customers, wasting customer time and corporate resources.

## Communication

Customers are overloaded with information and demands on their time. Irrelevant information that wastes time and steals attention irritates. As a result, communication relevancy is critical.

Few would disagree, but remember that relevancy is not how companies define it, but how customers define it. Customers must be able to define what is important, when they want to send and receive communications, and how support and service are delivered. Some customers may prefer catalogs; others, Web site access. Some want daily email updates; others, annual catalogs. Loyalty and trust won't grow if customers do not have control over the type and frequency of contact.

Relevancy has two requirements. First, information and offers must be in context to recipient requirements and preferences. This requires knowledge of the tangibles and the intangibles in every customer relationship. FusionBrands must not only know about customer daily and long-term imperatives, but also have a sense of their strategic, marketing, financial or even personal goals.

The importance of customer knowledge particularly applies to email, which has become the signature technology of the customer economy. Email is prone to abuse because it is easy, relatively inexpensive and often effective, thanks to its immediacy, pass-alongs and even measurability.

However, the saturation point for email is drawing nigh. As a result, FusionBrands must take particular pains to ensure that email is on customer terms. It must be targeted, relevant and frequency-controlled – all based on customer preferences. Customers should never be sent communications they have not expressed an interest in. Neither should they get information more frequently than they desire. Irrelevancy in email can hurt a FusionBrand faster than you can say, “unsubscribe.” Understanding this, some companies are even trying to deliver email at the time of day desired by customers.

Relevancy in email and other efforts also require “timing.” Too often, companies only consider time when they need to sell, not when customers may need to buy: “We need more sales this quarter.” “We need these in showrooms by October.” And so on. Timing is essential to “engagement marketing.” Engagement marketing seeks to interact with consumers according to a time-based need, location or activity.

Better timing increases marketing and sales effectiveness. It makes little sense to attempt to sell a car to someone who's just bought one,

but the same offer can be profitable when an automobile lease is expiring. True, continuous marketing efforts may create “awareness” that pays off when the need arises, but it’s an expensive way to ensure an uncertain payoff.

FusionBrands look at time in terms of both customer requirements and behavior. Customer requirements change. Companies move into new markets, departments install new software, individuals marry, move or have other life-changes. Monitoring activities and continually communicating helps keep up with these changes, enabling companies to time the appropriate FusionBranding effort. In selling, such timing is called the “itch factor,” based on the premise that people only want to scratch when they have an itch.

Car companies recognize the waste of mass marketing \$1,000 rebates to consumers who would have bought anyway. One major automaker is analyzing customer demographics, vehicle registration information, sales and service satisfaction surveys, vehicle reliability and service histories, and financing behavior to try to predict when someone is likely to look for a new car. In the next stage of the experiment, the automaker will attempt to even predict whether the customer will buy or lease. By using this predictive modeling, the automaker hopes both to use the right marketing vehicle and time its offer appropriately.

Customers also evolve, which should be reflected in communications. They become more sophisticated when using offerings. As a result, communications should be tailored to “lead” customers to the next level of offering usage, when necessary.

Communications should be based on time-monitored behavior. Changes in behavior patterns almost always represent turning points that are either problems or opportunities. One key signal is frequency. If a customer buys regularly every month, then starts buying once every other month, it’s likely a defection or other event affecting profitability is under consideration. If a customer makes three calls to customer service in a six-month period when the average is one, then it may signal a product or other difficulty. Communications should attempt to determine the source of the problem, or alternatively, sell an extended service contract.

Other changes that telegraph the need to alter communications include changes in order size, customer mergers/acquisitions, new production introductions, redemption of loyalty points and/or even payment frequency.

Finally, duration is key. Customers are expensive to acquire. Ac-

quisition investments usually only pay off through purchases over time. FusionBrands must have the capability to communicate based on purchases and behavior across multiple business units not just for a quarter, but for years.

Finally, communications includes extensive feedback. Companies typically collect information on how customers act, but not as much on how they feel. That means they rarely capture discontent before it results in defection. A sobering thought: Just 4% of customer complaints reach empowered decision-makers. Without feedback, it's impossible to see the relationship between marketing, operational activities and customer relationship depth.

FusionBrands consistently solicit feedback: How was the site, product, delivery and payment experience? How closely did product performance match expectations? What are emerging requirements? Collecting feedback not only allows FusionBrands to learn more about customers, but it also invests customers more strongly in the relationship.

Feedback vehicles include focus groups, surveys and comments to customer service representatives. Feedback is so important that Home Depot insists that its buyers must spend two days a week in stores. Even outside directors have to visit at least 20 stores annually to interview both staff and customers. Feedback also comes from decision support and other business intelligence tools.

Customers are not the only feedback source. Talk to potential prospects you would like to have as customers, and uncover their requirements. Customers who defect from competitors deliver valuable insights. Remember that "customers" aren't just those who buy. For the PR staff, it can be journalists. For purchasing managers, it can be suppliers. Although difficult to analyze in bulk, often this qualitative data will help improve efforts to simplify access, improve customer understanding and, of course, do business on customer terms.

## Segmentation

Segmentation helps do business on customer terms. It improves communications and interactions by enabling a better match between offers, sales and support levels. Such segmentation can both minimize cost-of-service and maximize service levels. Costs decrease because of less marketing to unsuitable targets. Segmentation deepens by increasing receptivity as well as trust and loyalty. Finally, segmentation powers differentiation of offerings, service levels and value.

Segmentation should be based on more than demographics. Segmentation can occur by product, acquisition source, profitability or any other important metric. The best segmentation is based on behavior. Companies and individuals usually do what they have always done before, which creates opportunities for both service and profit.

While segmentation is valuable, it can suffer from the law of diminishing returns. The more finely an audience is segmented, the less the increase in the return on investment from tailored efforts. The direct mail industry, which has long mastered data analysis and segmentation, has found that even the most sophisticated analysis of individual customers increases response rates by only tenths of a percentage point. The cost of collecting and analyzing an abundance of data for detailed segmentation can substantially reduce profitability.

Consider Eddie Bauer ([eddiebauer.com](http://eddiebauer.com)), one of the most successful catalog merchants. After studying the concept of the ultimate in segmentation – one-to-one marketing – Eddie Bauer rejected the idea. “One-to-one marketing is a beautiful vision. But it’s a vision,” said Michael Boyd, Eddie Bauer’s director of customer relationship management. “The complexity it brings to your business is overwhelming.” According to Boyd, part of the complexity results from constantly updating and generating new customer profiles.

Eddie Bauer now uses only two segments: “professional shoppers” and “too-busy-to-shop people.” For professional shoppers, the company showcases the latest trends. “Too-busys” see complete ensembles. This segmentation increased sales 10%. Revealingly, Eddie Bauer has no plans for additional segmentation because of the diminishing returns expected.

Similarly, office products retailer Staples ([staples.com](http://staples.com)) stopped tracking the purchases of individual consumers through membership cards. Database and other maintenance costs were too high. “We also came to realize that the most valuable information was to organize buying patterns into ‘clusters,’ rather than focusing on individuals,” said Jeffrey Levitan, senior vice president.

One-to-one marketing gets even more complex if it’s used to tailor the presentation of offerings on an individual basis. Not only is it technologically difficult, but it can be counter-productive. Consulting firm Cognitiative ([cognitiative.com](http://cognitiative.com)) said that while consumers acknowledge the potential benefit of tailored product availability through one-to-one marketing, 90% prefer having access to a broad range of goods rather than being limited to the items that others think they might want.

The failure rate of one-to-one marketing efforts remains high, because of implementation and technological issues. An additional factor is a high barrier to execution. Promising a one-to-one relationship sets up expectations that can't be fulfilled unless the organization has a one-to-one ability to execute. Few do.

## Conclusion

Doing business on customer terms does not mean giving away the company store. On the contrary, it means closer attention than ever before to true costs and profitability. Doing business on customer terms forces companies to understand which customers are profitable, and which are not. It requires reducing costs by delivering only targeted, relevant communication to customers and prospects, not mass-market broadsides. It requires efforts to keep customers loyal, reducing the costs of finding "replacement" customers. It requires avoiding the costs associated with giving what some customers might want, rather than what many require. Just look at the usage costs of Microsoft (microsoft.com) "bloatware" in the technology and other industries.

It also does not mean the costs of continuous brand extension in the name of giving customers choice. Choice should never lead to confusion, like there is today, with 52 versions of Crest toothpaste on supermarket shelves and Tylenol for everything from headaches to menstrual cramps. Doing business on customer terms means giving customers choices in the ways they want to do business with a company, not issuing an endless profusion of similar products.

In fact, companies that do business on customer terms emphasize cost control and profitability. In his book, *Loyalty Rules!*, Frederick F. Reichheld highlights the companies that do business on customer terms: Harley-Davidson (harleydavidson.com), Enterprise Rent-A-Car (enterprise.com), Vanguard Group and others. These industry leaders are renowned for both low-cost structures and service. They produce profitable dividends, not just to shareholders but to employees and managers as well.

The customer economy has moved the branding battleground from a fight to capture customer dollars to capturing customer relationships. As Gideon Sasson, executive vice president at Charles Schwab (schwab.com), said: "Before the Internet, companies could be customer-aware, but they didn't have to be customer-centric. Now they have no other choice." The rules for this engagement are written

by customers based on relevancy to their interests, requirements and preferences. Customers do not want just the Web, or just a store. They want it all – Web sites, retail stores and the call center – all integrated, and all committed to doing business on their terms. FusionBrand winners in this battle look beyond producing the best product to producing the best end-to-end ownership experience.

As a result, FusionBrands have two complementary imperatives. The first is to better understand customer interests, goals, needs and preferences. Such information must be used to improve offerings and service.

FusionBrands must also do business on customer terms by providing a variety of sales, support and service alternatives. Customers must be able to meet their requirements from a variety of alternatives, whether they want to research on the Internet, buy in a store or call for support. No matter what method they choose, FusionBrands must provide consistency and knowledge about earlier transactions.

Customer interactions must be built on relevancy and timing. Offerings, information and communication must be based not on what the company wants to sell, but what customers may need to buy. This is not new. Solutions-based sales from the customer perspective have always generated the greatest return.

The customer economy has taken the power to create a brand out of the hands of mass media and placed it in the hands of customers. In their eyes, a FusionBrand is not one that has the best “position” but one that does business on their terms.

## **FUTUREVIEW**

The definition of customization and personalization will change. In the customer economy, customization and personalization consists of companies tailoring their offerings to customer specifications. In the demand economy, customers will have the capabilities to do their own customization and personalization.

Outlines of this change are just beginning to be seen in the Web services – applications delivered over the Internet – now emerging. Web services, called the fourth wave of computing, will fundamentally change the way businesses assemble products, use sales and distribution channels, sell products and services, and serve customers.

Web services will enable customers to dynamically assemble personalized functionality by putting together components like Lego

blocks. This has many implications, especially in conjunction with the “surround computing “ that’s coming in the next decade. With Web services, customers can buy products with only the functionality they require, not what the company has decided to include. No more “feature bloat” that complicates and confuses. Or customers can easily upgrade as circumstances and offerings change.

The evolution of Web services will have three effects. Customers will no longer have to face the trade-offs so common today – product A is strong in this area, but weak where Product B is strong. Which one to choose? Customers will “assemble” functionality from multiple vendors, even competing ones. As a result, FusionBrands will be expected to cooperate with even with their fiercest competitors, all in the name of doing business on customer terms. Standards will become even more vital, and will be adopted more quickly as the result of customer pressures.

Another effect is a two-way commercial relationship with customers. FusionBrands are just as likely to purchase capabilities from their customers as their customers are to buy functionality from them. In some cases, capabilities may be jointly developed, then resold to others.

Finally, every FusionBrand offering will come with services. Today, for example, Quicken (quicken.com) has a service that lets customers enter their expenses in real time on the Web and download them later into their Quicken software. Such functionality will be extended to cars, refrigerators, and even electronic books.

To deal with demand economy requirements, companies must incorporate new organizational flexibility. Just as customers now have a variety of media alternatives – phone, Web, email – to access a company, companies will have to provide more flexible responses. The practice of placing employees within customer R&D, manufacturing or other areas will become more prevalent. When answers are immediately required, contracts will allow customers to contact the company or other outside expertise – at the company’s expense.

## TAKEAWAYS

- What are your customer goals for the relationship? How well are you meeting these goals? Can you do business on customer terms?
- How strong are your self-service capabilities? Is it one of multiple service options?
- How relevant are your communications to customers? Do they take into account customer wishes concerning timing?
- How is time incorporated into marketing efforts? Do you know when customers may require sales or service? Are you tracking the frequency of interactions as well as the duration of customer relationships?
- What are the channels customers can use to contact you? How well are they integrated? Are personnel knowledgeable about customer contact across all channels?
- How strong are your customization and personalization capabilities? Are you working on enhancing these? What are your plans for Web services?
- How are you segmenting customers? What is the basis for this segmentation? Are your segmentation costs too high due to “one-to-one” marketing efforts?
- How are you soliciting feedback from customers? How effectively is this feedback being incorporated?

## RESOURCES

### Information

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