

Developing a customer marketing strategy

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About this chapter

Organisations must have a customer marketing strategy; a blueprint for how they will assign resources to building stakeholder value – note, not just shareholder value – through a customer value proposition (CVP). Without a strategy companies have a void, a disconnection in their value delivery system.

This chapter outlines how such a strategy is constructed and maintained. What are the different tools available to help understand value and how can they help us plan? How do we apply a strong customer perspective to the strategy? How should we formulate realistic objectives, strategies and capability plans? How do we create a strategy that adapts in a timely manner to changing market conditions?

We will examine the crucial role of a customer marketing strategy to companies today, and how it differs from traditional product marketing strategies.

We consider the management, structure and essential elements of a good strategic blueprint and the importance of situational analysis in choosing and designing value.

We look at how corporate objectives are supported by customer marketing objectives.

Finally we will look at how a strategy designs value.



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Chapter 3.1

Developing a customer marketing strategy

The stages of developing a strategy

There are five stages involved in developing a customer marketing strategy:

1. Understanding value – analysing the current context and situation regarding customer needs, value, the marketplace, the market position, and internal capabilities.
2. Choosing value – which customers or prospects in which markets via which business model? Setting relevant objectives and measures.
3. Designing value – designing the proposition to customers. Outlining how the objectives will be achieved.
4. Creating value – preparing the fully costed and detailed operational plans with precise timescales that spell out what will be done. Co-ordinating and supporting functional plans.
5. Ensuring value – determining the feedback, measurement, and information systems that will ensure the strategy is on track; learning and adjusting to situational changes.

The first three stages are included in the Customer Marketing Strategy (CMS). The fourth stage (creating value) is covered by the action (or operational) plans of a variety of functions and the change plan. The fifth stage (continuous improvement) is again part of operations.

In this chapter we cover stages one to three, with reference to stages four and five. It is these last two stages that make strategy real, and turn it from an ivory tower planning exercise to something that directs efforts and focuses resources productively.

Stage five, ensuring value is particularly important, as it makes sure the company understands where value lies and adapts to market changes to deliver objectives. In the future, strategic changes will be far more incremental than the static three- or five-year planning cycles of old. Strategy changes will be triggered more by events than time – although periodic reviews will still be needed. Ultimately strategy is the art of guiding the company through the rapids of a constantly changing market.



Strategic marketing is the discipline of allocating scarce resources and focusing company capabilities on specific target customers and market opportunities, in order to create and sustain competitive advantage.

Ideally the CMS needs to be boiled down to a brief but succinct summary. Every employee should know it by heart, so they do not have to think twice when making decisions. It must be part of the culture of the organisation so that its insights can be fully exploited.

Product marketing turns to customer marketing

To illustrate a CMS simply, and its differences from a traditional product marketing strategy we will step back in time and use the case of Addmaster.



The Addmaster Story

In the days before low-cost computers killed off their market, Addmaster cornered a large share of the adding machine/cash register market by selling a simple machine at a recommended retail price of just £49.50. Brand leader Olivetti had to act fast. Pricing a new machine to match Addmaster, they took a large number of retail orders, and then double delivered (e.g. 20 machines instead of the 10 ordered). When the stores called to complain they said, “Don’t worry, the machines are all on ‘sale or return’.” Effectively, they had put Addmaster out of business by loading the trade with about six months’ stock. Or had they? Let’s take a look at the hastily revised Addmaster plan:

- Understanding value** – *we are a ‘me too’ supplier to the trade with no competitive advantage over Olivetti. The market is saturated with products.*
- Choosing value** – *we will sell direct to the end users. Our objective will to acquire and keep customers.*
- Designing value** –
- 1. reduce price to £39.50*
 - 2. sell ‘off the page’*
 - 3. offer 30-day free trial*
 - 4. increase customer service with a hotline.*

Their strategy worked. The price and free trial were tested and proved to work before rollout, so getting customer feedback. The service hotline was heavily used, so proving the benefit of offering customer solutions and servicing the customer not the product. By selling ‘off the page’, they reduced their ‘cost to serve’ in order to divert resources to product trials and service.

At the time it was done, Addmaster would have seen their strategy as a product marketing strategy, rather than a customer marketing strategy. To turn it into a mature CMS they would have had to think about:

How to collaborate with trade customers.

Understanding the potential value of different end-user customer segments.

Setting up research and information systems to learn about customers. Picking up their feedback, and ensuring satisfaction.

Developing a customer proposition and customer commitment. In choosing value Addmaster lacks a core value proposition, a reason why end-users would buy direct.

Although marketing has always been about identifying, anticipating and satisfying customer requirements, the strategic plan in the past has been about getting the

product offering right. This came about because marketing grew out of the need in the early twentieth century to differentiate mass produced goods; to escape the chains of commodity pricing. Further, there was a real need to create a 'trusted face' via the product brand, as large organisations replaced small local traders. Lastly, it was near impossible to gather detailed information on customers; product performance information was far more readily available.

The four Ps

Most of us are familiar with the four Ps – Product, Price, Place and Promotion. These were developed by EJ McCarthy from a list of 12 elements in the marketing mix devised by NH Bordon back in 1965. The four Ps dominated marketing thinking for more than 35 years. Get these four elements of product right and you were home and dry.

In the late twentieth century, commodity pricing returned with a vengeance to over-supplied, information-rich markets. With knowledge, regulations and global channels the consumer is gaining market power and the corporation losing it. These conditions require companies to look more carefully at what their customers perceive as value, and to value their customers' goodwill or loyalty as an asset to the company.

That means a very fundamental shift in corporate mindset, from product marketing to customer marketing. Not an easy task; many organisations are built around product-focused business units, aimed at specific product market segments, facing competitors in the same product market. Targets, sales and profits are all stated by product line.

Whatever happened to the customer?

Ask any business unit director how much revenue is derived from products A, B and C and you will get an immediate answer. Ask how much revenue is derived from new customers, established customers, and recovering lapsed customers, and you are very likely to get a blank look. Only 26 per cent of Boards in Europe regularly review their customer figures, and then not in the detailed way they review the product figures. Only 8 per cent have the information to review the quality and potential of new clients.

So here is a quote to remember, to help develop the right mindset:



"The customers are the only profit centre we have" – Peter Drucker

The customer asset

Customer goodwill or loyalty (also called commitment) is becoming an important company asset; especially in the light of the falling correlation between tangible assets and company value. This fundamental shift in company worth is being noted by shareholders (see figure 3.1.1), as is the lack of customer information directors have at their fingertips. When shareholders ask questions, directors sit up and take notice.

Figure 3.1.1

Shareholders begin to understand the value of customers



“CEOs and CFOs are not well briefed on important items like churn rates, customer retention, staff turnover, and replacement costs...they are definitely becoming more important”

– *Director, Hermes Pension Fund*

“Customer churn rates and the risk that this might imply to a business if they are too high for future growth to be assured are going to be important in assessing overall performance potential”

– *Chief Executive, Investment Management Association*

“Analysis of a company’s supply chain, payment timings, call centres, customer retention, staff satisfaction and employee turnover, are all important indicators to a company’s real value.”

– *Investment Director, National Association of Pension Funds*

Source: State of the Nation III, QCi

The fact is that the entire profit of most companies in any one year is made from customers gained in previous years – not new ones. It is much more important to know how much profit is earned from customer segments one, two and three, than it is to know how much profit is generated by products A, B and C.



The customer marketing strategy is about how the customer asset will be acquired and maintained by delivering perceived value to customers. This exchange of value lies at the heart of the CMS.

The Four Cs

The evolution of marketing from product focus to customer focus has led to people like Philip Kotler (Kotler on Marketing, 1999) suggesting that the four Ps could be retitled the four Cs; that this should be the foundation for the new customer marketing strategy.

Four Ps	Four Cs
Product	Customer value
Price	Cost to the customer
Place	Convenience
Promotion	Communication

This is certainly a good start for a mutual exchange of value between customer and company, while the precise nature of these concepts is being developed and honed by academics, consultants and corporations grappling with the new customer mindset.

Customer mindset, thinking and technology drivers

Relationship marketing emerged in the late 1980s, primarily in service and business-to-business (B2B) markets, and particularly through key account management. At the same time the idea that customer loyalty gave companies superior profits was being raised in the collective business conscience by consultancy Bain and Co.

1993 – A Seminal Year

1993 saw relationship marketing turn its attention from B2B markets, to business-to-consumer (B2C) markets, via One-to-One Marketing by Don Peppers and Martha Rogers. Concurrently Joseph Pine was writing about the idea of the mass customisation of products, based on customer preference.

The customer hat-trick was scored that year by Kevin Keller, who established that brand equity resided in the minds of consumers. All three theories turned the stage lights from products to customers. Meanwhile, in another part of the US, Hammer and Chapney were saving the world of management consulting with their ideas on Business Process Engineering.

These business ideas were developing to combat the negative market trends towards reducing margins. But it was the technology push of marketing databases and salesforce contact systems in the mid 1990s that really lit the customer relationship fire. Without technology, measuring customers and their behaviour was the province of time-consuming, sample-based market research.

Performance wise, measuring sales for each product was easy and it was not too difficult to calculate product profit contributions. But without the data it was impossible to calculate how many sales had been made to first-time buyers, how many to repeat customers and how many to recovered customers. It was possible to estimate the effective life of a product, and product life cycles were well known. But it was impossible to calculate the potential lifetime value (LTV) of a customer or to distinguish unprofitable customers from profitable ones.

Among the only companies setting targets for customer acquisition and retention pre- 1990s were mail order companies. They maintained lists of customers to whom they sent catalogues and goods. So they could distinguish between orders from new and established customers; measure the cost of acquiring new customers; and they also knew which customers had stopped ordering. But what even they could not do was measure the ongoing value of each individual customer relationship – until technology arrived.

By 2006, many companies have invested in a variety of CRM software solutions to help them collect data, understand customers, serve them better, and measure customer performance. But many have not changed their old product ways of thinking and working. Fewer still have adopted the new approach to customer marketing strategy; partly due to the demise of strategic planning in the mid 1990s in favour of the brief, but less well thought out or informative, 'strategic imperatives' philosophy.

In 2004 a number of research studies looked at how companies could get the value out of their CRM software, and start reaping the benefits of customer marketing. They found that the biggest contributors to business success were the

least tackled, and often the hardest tasks. A customer marketing strategy was number four on the list of critical success factors:

Critical factors for making CRM successful

- **Change management** – motivate staff to align behind, and deliver a brand promise (or core value proposition). Encourage customer service competencies.
- **Customer service and experience** – evolve flexible, adaptive, relationship building practices that customers value and which support the customer life cycle.
- **Metrics and goals** – ensure incentives and measures are in line with current strategic customer objectives and not at odds. Constantly monitor what is important to customers through feedback.
- **Value proposition and strategy** – competitively position a differentiating, branded, value proposition in the marketplace – and adapt it to market changes.

Thinking customer value

The core concept of the customer marketing strategy is the exchange or co-creation of economic value between company and customer. Value starts with the customer and works back into the company; the company allocates resource based on the potential value of the customer. **That means that companies have to change their product-focused 'inside-out' thinking, to customer-focused 'outside-in' thinking.**

The technology is available; ideas and new techniques flow from thought leaders. The failure to produce value for customers through an integrating, cross-functional, customer marketing strategy can amount to criminal negligence. The differences in customer contributions are vastly greater than the differences in product contributions. Stakeholders need to know that businesses have good governance over resource allocation and asset creation.

Consumers who cost money

Typically, 75 per cent of new customers gained by a home shopping business will have lapsed without providing enough business to recover the cost of recruiting them. All of the profit will be contributed by the remaining 25 per cent.

If the company learns which the best sources of good customers are, it can work to reduce the 75 per cent of loss-making intake. If it fails to learn, the 75 per cent will become 80 per cent or 85 per cent, ensuring that the company loses money.

Again, typically, a bank will lose money on at least 80 per cent of its private customer base at any one time. By devoting special attention to the remaining 20 per cent, it can expect to satisfy more of them and so keep their custom. If it fails to differentiate between its good (and potentially good) customers and its loss-making customers, it will be the good customers who are most likely to defect.

Segmenting business customers on value

The differences in B2B customer values can be extreme; one company having ten thousand times as much purchasing power as another. So companies differentiate four segments of customers on potential value:

1. Key
2. Development
3. Co-operative
4. Transaction

Frequently contact centres, web channels and inside sales teams deal with segments 3 and 4, while key account managers deal with segments 1 and 2, who often also have tailored extranets to support them.

Thinking 'outside in'

Here are some of the core concepts of 'outside-in' thinking that are central to a customer focussed strategy:

Customer marketing strategy, not strategic imperatives.

Customer portfolio, not just product portfolio

Customer life cycle, not just product life cycle

Customer metrics not just product metrics

Innovation and differentiation, not best practice

Improve customer returns, rather than just improving company returns

Design the customer experience, not just the product

Co-create with customers, rather than carry out transactions

Dialogue, not communication

Influencers and advocates, rather than PR and promotions

Alliance and partners, as much as supply chain and competitors

Situational touchpoints, not multi-channels

Cost to serve, not just cost to produce

Integration, not standalone

Staff collaboration, not internal communication

The business of business is social, not the business of business is business



“Because it is its purpose to create a customer, any business enterprise has two – and only two – basic functions: marketing and innovation; everything else is cost.”

Peter Drucker

Why the CMS is needed

Direction and adaptation

The CMS is an evolution of the marketing strategy that focuses on making propositions to potential, current and past customers. A more sophisticated CMS will:

- Incorporate a balancing of needs for all stakeholders, including staff, partners, influencers and shareholders
- Build corporate social responsibility factors into propositions
- Pay far more attention to developing operational capabilities and feedback loops for market adaptability.

Like past marketing strategies, the CMS will build on the company's corporate strategy. It should cover a period of between three to five years by giving options for different market scenarios based on key market drivers – but flexibility should be inbuilt so that it can change with events. There may also be a ‘thought leadership’ strategic outline based on a seven- to ten-year time frame in which a more ‘visionary’ picture of the company's future can be modelled.

In a new or small company, the strategy may have been presented to the bank or other investors in order to raise capital to finance investments. The strategy has to cover a period of time because it has to be supported by financial projections showing cash requirements, return on capital invested and the build up of assets, particularly the intangibles.

The CMS will be supported by operational and annual customer marketing plans for delivery.

There has been talk of strategies becoming out of date in months because of the pace of technology change. However, the primary reason why plans date rapidly is that they do not have inbuilt mechanisms – feedback loops, future technology impact mapping, market scenarios – for changing market conditions and the effects of new technology. Thus the ‘one scenario’ cost and revenue projections prove to be incorrect. Without estimating the likely effect of different scenarios it is hard to get financial and asset projections right in highly dynamic markets. Even with scenarios, strategies need to be monitored and revised regularly during the planning period.



It is useless to set targets without a strategy through which they can be achieved. Objectives demand a strategy. It is the key to optimising profits, building assets, and sustainability.

'Outside-in' propositions

The corporate strategy will most often contain the mission statement or core value proposition (also called brand proposition). This will include:

1. Aim of the business in terms of customer value to be provided (note, not in terms of the aims of the business to grow or reach a certain ranking in the market, e.g. number one)
2. Definition of the business, including the business model (e.g. we aim to be the international number one)
3. Areas of distinctive competence on which unique selling propositions will be built, to differentiate from competitors (also known as brand values).

The aim of the business is very important; too many companies in the past have seen their aim as shareholder returns, growth or market domination. The aim should be stated in terms of what customers buy, not what the company does. Ted Leavitt, said over 40 years ago: "People don't buy quarter-inch drills; they buy quarter-inch holes." A car company provides personalised transport, not cars.

Xerox now calls itself the document company. Their products allow companies to produce state-of-the-art documentation. Xerox is not about photocopiers, or scanners, but the benefits these products deliver to customers.



"The company that puts emphasis on profit in its declaration of objectives is less profitable in its financial statements than similar companies with a vision of market need."

Collins & Porras, Built to Last

The corporate strategy will set out the broad business direction that will have to be delivered by the CMS. The CMS starts by restating the core brand proposition and turns the corporate strategy into key objectives.

In its turn the CMS will guide other operational strategies, such as HR, Finance, IT, Product, R&D, Purchasing, Sales and Service (see fig 3.1.13). It is vital that the CMS is the linchpin for the other operational strategies, for this is how resource is allocated to where it is most relevant to customer value. These operational strategies must pick up the direction of the CMS and turn it into their key objectives. A critical purpose of the CMS is linking the business to its market; to be a conduit for the outside to flow in so that innovation is stimulated.



"All must hear the voice of the market in an era of rapid change and intense competition."

VP Barabba and G Zaltman Hearing the Voice of the Market

Ten major benefits of strategic planning

Many companies skip strategic planning, deeming it a 'waste of effort' in the race to 'do, do, do'. At best they miss out and at worst they create chaos. The effort of creating a CMS delivers ten major benefits to a company:

Table 3.1.1

The ten major benefits of strategic marketing planning	
1	Forces 'big picture' systems thinking – for external scenarios and internal workings
2	Enables a thorough review of customer assets and stakeholders
3	Creates internal collaboration between functions
4	Generates an extraordinary enthusiasm that improves creativity
5	Allocates resources to impact on the most profitable potential
6	Creates a blueprint and benchmarks for evolving company capabilities in tandem
7	Connects a company to its ever changing market, allowing 'outside-in' thinking
8	Elicits improved supplier/partner fit and collaboration
9	Enables faster front-line decision on day-to-day activity
10	Saves substantial management time and stress during implementation stages

The importance of an executive summary and internal marketing

Despite the best efforts to keep a marketing strategy simple, in companies with many products, operating in many markets and with many types of customers, plans inevitably become complex. The result is that many people who should have the strategy stamped into their brains for effective decision making, do not. An engaging and informative executive summary ensures that the dominant themes are clear and memorable. No one should say they do not know what the company is about or where it is heading. Yet around 90 per cent of all companies have staff responsible for talking to customers who cannot say why customers should buy from them! (State of the Nation III)



A good summary is a vital aid to understanding company proposition, value and direction. It is also a very helpful attachment to briefs to agencies and other suppliers (subject to confidentiality agreements).

The summary should not, by its nature, go into much detail. It should concentrate on the core proposition, perceived customer value, objectives and targets – customers and markets, opportunities and threats, core strategy and timings.

The internal marketing of the strategy should not, however, stop at the production of a summary. Alongside the CMS, should run an internal marketing plan and programme. If there are major changes to business direction in the strategy this may need to be a change management programme. Table 3.1.2 gives some examples of internal marketing techniques:

Table 3.1.2

Examples of internal marketing techniques	
•	Turn training into brand coaching: people learn better when customer knowledge relates to experience and is immediately useful
•	Encourage team working with the right support, e.g. virtual team rooms, communities of practice
•	Every department and project plan should say how 'brand values' (or USPs) will be brought to life; it should be as natural as the cost/benefit analysis
•	Employ a corporate 'storyteller' to compile a 'compendium' of 'how things have got done around here'

Developing the customer marketing strategy

Organising the process

Strategic planning is a continuous, iterative process, rather than the periodic production of a large 'ivory tower' tome from on high. Creating the CMS requires teamwork, internal consultation and, in some cases, external consultation. In many organisations planners (thinkers and innovators) are distinct from line managers (administrators and doers). Yet both are fundamental to effective planning. Team 'thinking' disciplines that effectively use a range of thinking styles and perspectives, such as De Bono's Six Thinking Hats, are important tools for innovation in the strategic planning process.

Planners can maintain an overview of the big picture and trends, the company, its customers and marketplace. Line managers ensure the practicability and human effect of the plan. Good analysts help collate and interpret the wealth of tacit and explicit information available.

Good planning is a combination of quantitative and qualitative factors, combined with creative, logical and psychological thinking. Planning requires vision and multi-dimensional thinking.



Thinking is the means of production in the 21st Century. You can no longer have the situation where one person thinks and the rest follow orders.

Not all inhouse teams will be large enough to include the required range of skills, and it may be necessary to seek contributions from external sources who can give guidance on new techniques and ideas. Strategic partners and outsourcers should also be included as they are important parts of the value delivery chain.

Strategic planning process

The process starts with confirming the functions and scope of the CMS; the use, benefits and remit of the strategy; which business units, geographies, definition of customer and markets etc. it covers. This section will repeat the company's mission statement and core value/brand proposition together with the key aims and strategy of the corporate plan; including financial targets.

Then follows the iterative evolution of three stages done in cross-functional teams, as in table 3.1.3 below:

Table 3.1.3

<p>1. Understanding value (or situational analysis)</p> <p>This will cover both internal and external situations, using a variety of information sources including environmental scanning, internal data, customer feedback, market research and assessments. The situational analysis culminates with a market map, analysis of the customer, stakeholder, and product portfolios; financial and capability analysis, plus a PEST/SWOT analysis.</p>
<p>2. Choosing value (or setting objectives)</p> <p>By employing a variety of modelling techniques, various strategic options are outlined and relevant customer and market segments and routes to market are chosen. Objectives are set for customer acquisition, development or retention, as well as market development, share and penetration.</p>
<p>3. Designing Value (or setting strategies)</p> <p>This is the detailed design of the value proposition; how the objectives will be achieved. It will include strategies for product/service experience (product); pricing and resource to serve (price); situational touchpoints/partnerships (place; engagement/co-creation/dialogue (promotion); internal change (internal communications) and capabilities (resources).</p>

1. *Understanding value (situational analysis)*

Understanding value (also known as situational analysis or the marketing audit) is often described as the longest and most demanding part of the strategic planning process. However; for an adaptive customer marketing strategy the information gathering and analysis must be continuous.

The intelligent organisation listens, learns and adapts, in order to create personalised customer value propositions, customer engagement and greater profitability.

The task includes the collection and analysis of information about the company, its customers, and its markets. The aim is to create an accurate picture of where the company stands today in relation to the past, the present and the future; its customers, competitors and other stakeholders.

Understanding value takes a lot of information and analysis but only the conclusions and a few salient facts will appear in the actual CMS. Key questions are: “where are we now, how far have we come, and where do we go?”

The four parts of understanding value are:

1. Environmental scanning
2. Internal company situation
3. External company situation
4. Key analysis – e.g. customer and product portfolios, and SWOT analysis

Often in real life the aim of understanding value will be to plug the planning gap (or Ansoff's Gap): the gap between financial targets and financial forecasts in the corporate plan. The corporate plan will contain financial projections cooked up by the finance department and revised at the request of directors. It is not always scientific but designed to produce what the City, the shareholders or the parent Board are presumed to expect. In future these expectations are likely to include forecasts of the value of the customer asset, as this becomes an important part of valuing a company.

The situational analysis provides the intelligence for choosing how to plug the financial planning gap. It could be through customer acquisition, retention, or development in current markets or new markets; equally it could be through adding value to current products or diversification into new markets.

In a customer marketing strategy understanding value also looks for four more gaps:

- **The customer value gap** – between actual and potential customer value to the company, including loyalty (or commitment).
- **The customer experience gap** – the void, in the customers' view, between the expected/required value proposition and that which is delivered. The aim is to exceed expectations with USPs.
- **The market opportunity gap** – the gap between current and potential market segment positioning.
- **The skills and capabilities gap** – the mismatch between current capabilities and those needed to support strategy.

Environmental scanning

At its simplest, environment scanning consists of a **PEST** analysis of trends that may affect the market served by the mission statement or brand proposition:

Political and legal developments and trends
Economic developments and trends
Social and cultural influences and trends
Technological developments and trends

This should be an ongoing analysis, rather than something just done at the start of each planning period.

Each trend should then be assessed for:

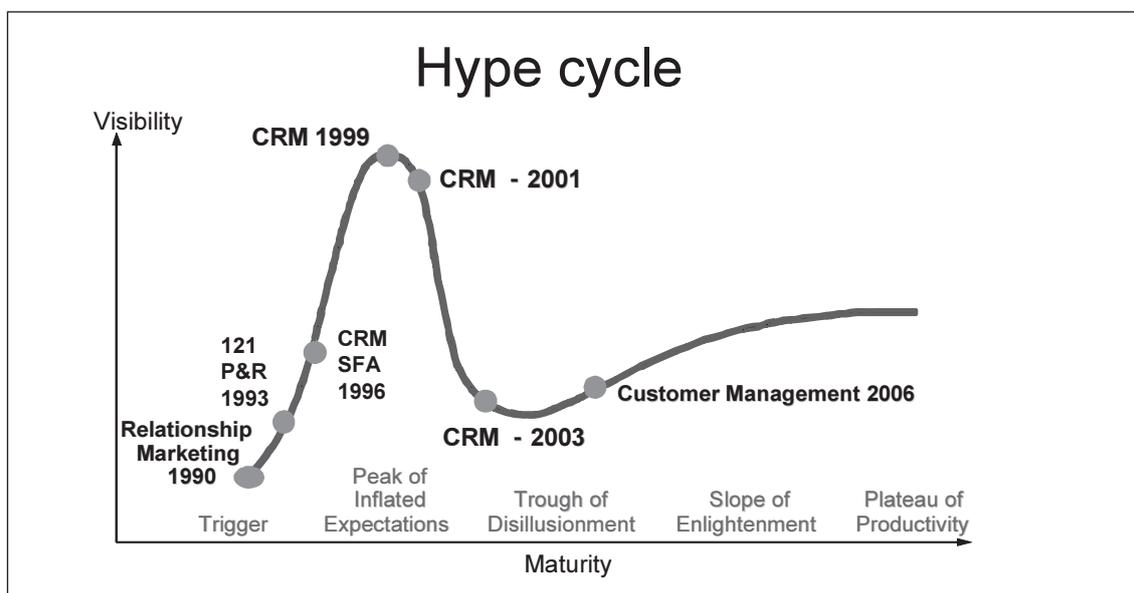
- Threats to the company's customers or market
- Opportunities it brings the company
- Its state of evolution, e.g. embryonic, growing, ongoing or mature
- Its importance to the company
- Its risk to the company

Since technology, especially information technology (IT), can have a major effect on markets it is worthwhile plotting relevant technologies on a hype cycle. Is the technology a new idea, a newly emerged trigger; is it being talked about (or hyped

up) and so heading for the peak of inflated expectations; are companies trying to make it work, as it heads for the trough of disillusionment; is its value and implementation beginning to be understood on the slopes of enlightenment? A mature technology well used and understood will have reached the plateau of productivity.

The example given in figure 3.1.2 shows how the CRM trend has evolved from the trigger of relationship marketing; building up as a trend through the 1990s to a peak of hype, or inflated expectations about benefits in 1999. As companies tried to realise these benefits through newly installed CRM technology, the reality of reshaping a customer-centric company set in, and many faced disappointment. By 2003 CRM as a concept was sliding into the trough of disillusionment – was it possible? But by 2006 companies like Tesco and First Direct were showing, with their success, the way customer management could work. and the idea began moving towards the slope of enlightenment. Over the coming years customer marketing/management will reach the plateau of productivity as a business idea.

Figure 3.1.2 The hype cycle for CRM

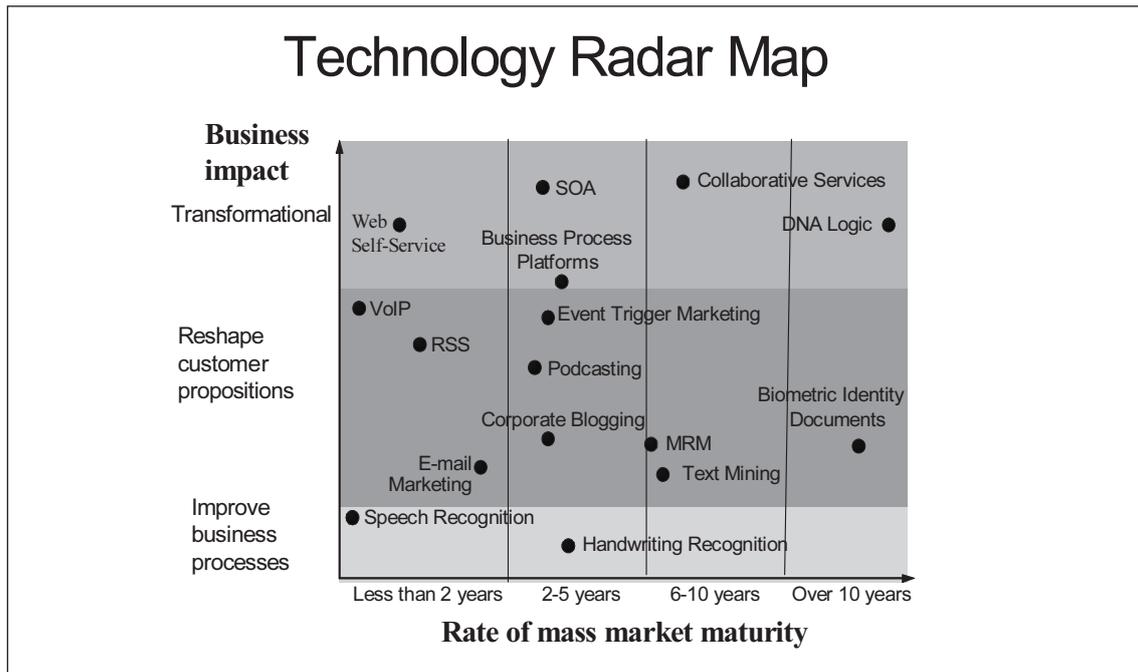


Source: Adapted from Gartner Ltd

A further layer to this analysis can be added by establishing the likely business impact of the technology on the company: will it affect current business processes, enable the company to offer new value propositions to customers, or make major changes to the way a market operates, as the internet and web services are doing?

Figure 3.1.3 shows an example of the 'Technology Radar Map' used by research company Gartner. The map shows examples mapped by a company of technologies that were likely to impact customer marketing strategies over a 10-year period from 2006.

Figure 3.1.3



Combining the maturity of the technology with its likely business impact over a 10-year timescale aids decisions for IT investment and adoption. These decisions must be taken by collaborative business/IT teams. The former brings market and customer knowledge, the latter technical knowledge of user applications, middleware, networks, hardware and delivery methods – e.g. on demand or on-site.

Economic and social trends can be mapped out in the same way and examined for the impact they are likely to have on the customer value proposition. Will it need improving, will new offerings be needed, or is there a new gap or opportunity opening up the market?

Internal situation

This part of the analysis examines current company performance with regard to customers, propositions, capabilities, finances and other key performance metrics. It consists of research (primary and secondary), benchmarking, and data analysis to determine performance trends.

To look at performance trends a maximum of two to three years' back data will be required. The tables below show some areas that will need to be covered depending on the industry, key performance measures used and corporate performance management methods, e.g. the balanced scorecard the company uses.

In the past the metrics and trends analysis has been primarily concerned with financial and product performance (tables 3.1.4 and 3.1.5). With a CMS the important difference is to look at customer metrics (table 3.1.6): how many new customers, or what type, what they buy, what is their value to us and how long do they stay?

Table 3.1.4 **Corporate performance**

Revenue
Costs
Profits
Ratios and margins
Customer commitment
Market share

Table 3.1.5 **Product performance**

Product measures
Sales – units, value, per cent of company sales, trend
Profits – total, gross margin per cent, return on capital employed, per cent of company, trend
Costs – total, per unit, overhead allocation, fixed versus variable cost
Others – investment, capital spend and recovery, cash flow, operating ratios
Product/service activity
Sales – geographical, seasonal, market segment
Projected sales potential
Market share versus market growth
Maturity – stage in product life cycle
Contact metrics – call centre, sales, response rates
Channel and distributions metrics – retail, web, intermediaries, telephone

Table 3.1.6 **Customer relationship management performance**

<p>Strategic customer value metrics by segment or individual, for example:</p> <p>Staff commitment/loyalty levels</p> <p>Customer and staff satisfaction</p> <p>Number of customers and prospects – (against definition of customer)</p> <p>Current annual value – revenue, profitability (segment or individual)</p> <p>Retention rate – number and value by lifecycle position</p> <p>Lapsed customers</p> <p>Cross-sales/uptrading success</p> <p>Decreased business levels – customers spending/using less product/service</p> <p>Projected future value</p> <p>Customer acquisition – value and number</p> <p>Cost to serve</p> <p>Cost of acquisition</p> <p>Average annual return on cost of acquisition</p> <p>Overall customer value by deciles</p> <p>Lifetime value trend</p> <p>Activity and experience data by segment or individual, for example:</p> <p>Average purchase frequency</p> <p>Average purchase value</p> <p>Average product holding/transactions</p> <p>Returns rate by customer</p> <p>Quality measures, e.g. order handling, logistics, refunds, discounts</p> <p>Customers experiencing stock outs, late deliveries (% number, value)</p> <p>Queries and complaints – satisfied/doubtful/unresolved (number)</p>
--

- *Profiling* established customers is essential to sharpen up new business targeting.
- The *planning gap* may be more profitably filled by developing and retaining current customers rather than seeking new ways of acquiring less profitable new ones.
- We need to look at *customer activity and value* to understand if a strategy works.
- We need to understand how much *resource* to allocate to different customer segments, to optimise profitability.

A customer strategy takes the idea of Kaplan and Norton's balanced scorecard, that performance is a chain of cause and effect, from input to final result. So financial corporate objectives are achieved through strategic customer and market objectives. Product performance is the result of customer actions, and thus not directly linked to financial performance.

With this view it can be argued that 'customer commitment' (or loyalty), to an organisation should actually be a corporate objective, and customer satisfaction a supporting strategic measure. Commitment is an asset to the organisation: you can have satisfaction without commitment, but not commitment without satisfaction.



A customer marketing database, with good quality data, is essential to understanding value in the organisation.

Despite a wealth of internal data, marketing research on customers (and ex-customers) is still crucial. It should always be remembered that past performance may not be a reflection of what will happen in the future. The environmental scan will have already shown how the market context may change. Therefore, marketing research is needed into the experiences, needs, attitudes and aspirations of stakeholders.

Staff

Customers – current, and lapsed

Shareholders

Partners

NB The research may well also cover prospects and consumers in general but the results will be used to look at the external situation.

The research may come from:

An analysis of research information gathered over the past 12 months

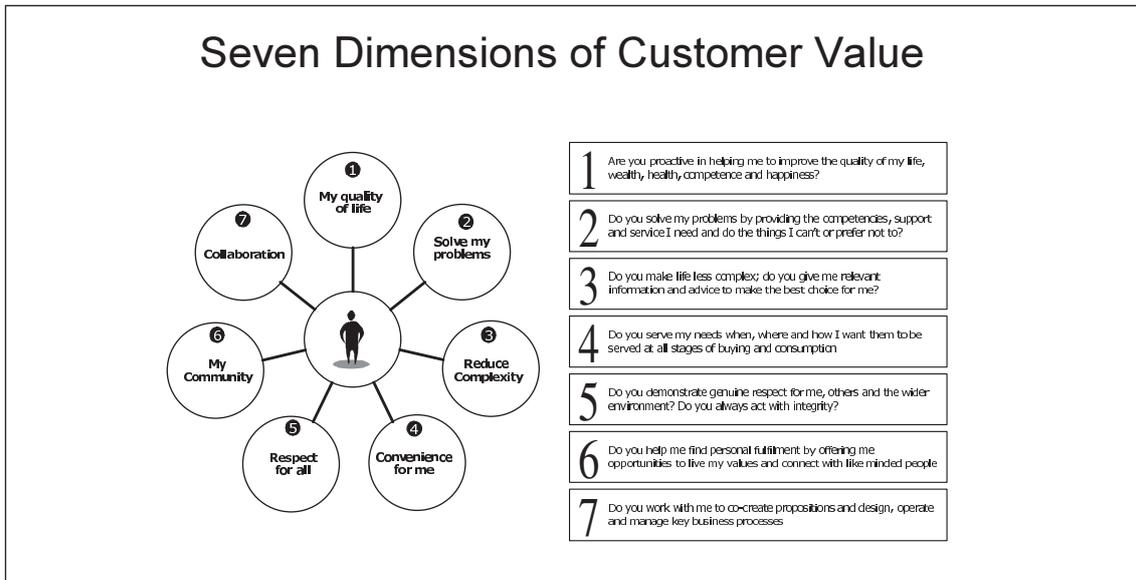
Desk research on external studies that have covered the company's stakeholders

Newly commissioned primary research

An analysis of internal data such as complaints, enquiries and feedback
Interviews with internal staff, e.g. key account managers

The key information from this research should be what drives value from the customer's perspective; how well does the company perform on delivering this value? We need to understand what the customer is really buying when they choose our Audi instead of a rival's Seat. If we fail to understand this we may make mistakes. For example, we may concentrate on developing additional practical features when we should be strengthening emotional benefits. Figure 3.1.4 shows seven generic areas of customer value to examine as part of the research analysis:

Figure 3.1.4



Source: Jennifer Kirkby & Paul Crick

When looking at what customer value there will be, there are three elements to consider:

The tangible product or main service

The added value services

The elements of the customer experience

The product, service and experience are elements that build on each other to produce economic value. Table 3.1.7 gives the example of the evolution of the birthday cake, through basic product and added value service, to experience. The creation of economic value widens margins and needs to be shared back in delivered value to the customer. This is the economic heart of a CMS.

Table 3.1.7 The build-up of economic value in the customer proposition

	Element
Birthday cake cooked by parent from basic ingredients	Ingredients sold as a product
Premixed birthday cakes	A service added to the basic product
Ready-made and iced cakes	Greater value service added to the basic product
Parents buy a complete party experience and product	An experience is built around service including cake

An important output of the research will be customer segmentation.

Segmentation is a tool for dividing into groups markets and customers whose needs differ enough that profitable opportunities can be found and managed. Segments are flexible and evolve with changes in the environment. So segmentation as a business tool is both an art and a science, and should not be

overly definitive or prescriptive, or else the creative power will be thwarted. New businesses are founded on spotting emerging or hidden market segments, and customers' relationships are planned and managed more profitably by understanding the value and fulfilling the differing requirements of various groups.

While the main customer segmentation for the CMS will be a segmentation of value (see table 3.1.8) segmentations based on other factors such as behaviour and attitude will be needed for different purposes e.g. communication and product development; this can be seen in the chart below:

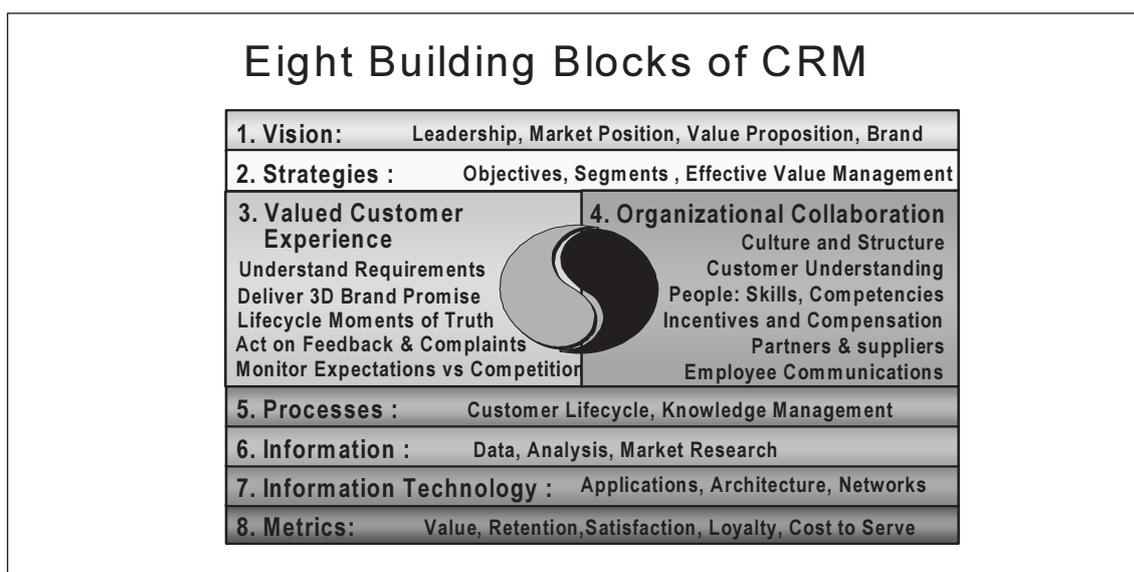
Table 3.1.8 Segmentation types and uses

Segmentation types	Understanding requirements	Market positioning	Product development	Communication	Managing customers
Lifestage/industry	x		x		
Needs	xx	xx	xx	x	x
Behavioural	x		xx	xx	xx
Attitudes	x	xx	x	xx	
Profitability					xx
Value					xx
Loyalty		xx		x	xx

(x: some use, xx: useful)

Finally, it is important to use a capability assessment to understand the skills and capability gap the company has between its current infrastructure and that which will be required to support the strategy. Companies that want a customer marketing focus, rather than a product marketing focus, need to develop a distinct and different set of capabilities around the following areas:

Figure 3.1.5



Source: Jennifer Kirkby, Gartner Ltd

A benchmarking capability assessment based on the areas one to eight in figure 3.1.5 is often used for this purpose. This may just assess company capabilities against predefined maturity levels:

Table 3.1.9 Customer capability maturity levels

1.	Product centric capabilities – based on maximising efficiencies through different organisational functions. Operations will be based on product-focused transactions and mass communications.
2.	Customer satisfaction capabilities – companies focus attention on customer satisfaction. They develop the ability to create a consistent customer experience across channels, customise interactions and create ‘listen and respond’ infrastructures.
3.	Customer value capabilities – at this level companies focus on delivering value to the customer in order to get value back. They will develop the ability to invest in and manage appropriately a portfolio of customer segments. The company will aim to differentiate in the market and have a collaborative infrastructure.
4.	Stakeholder collaboration capabilities – companies at this level will collaborate in their development with all stakeholders. Customers, partners and staff will all be able to influence company direction, leading to a high level of innovation.

(Based on a model from CC Director, Round Ltd)

In addition, some assessments benchmark against other companies.

External situation

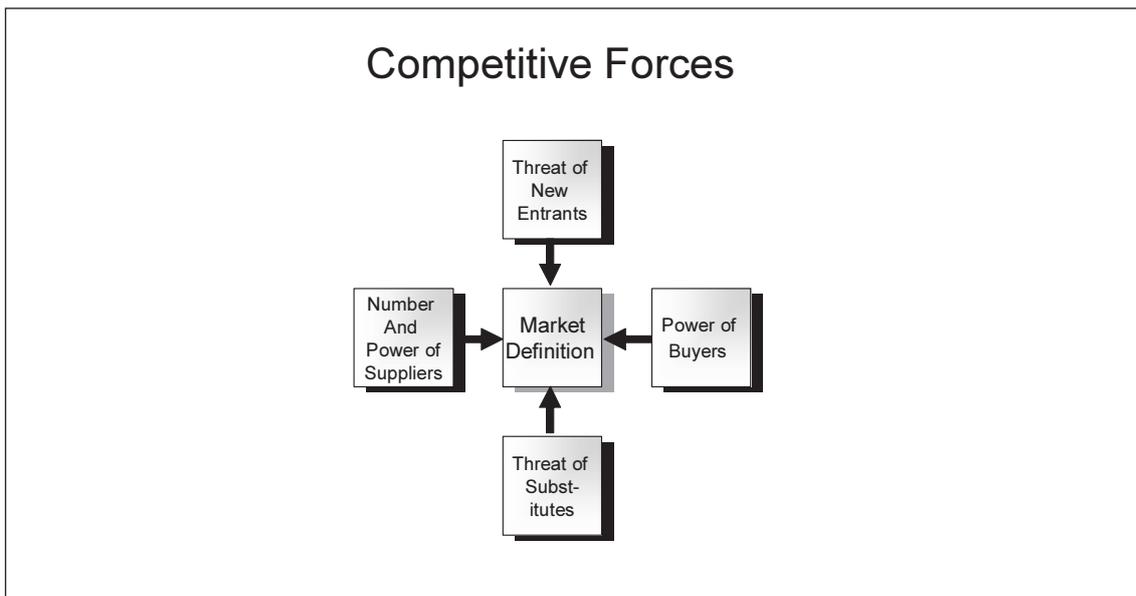
We have now covered the internal or company part of understanding value, and have come to the competitive half. How do you stack up against the competitor? Many companies aiming to build better customer relationships forget that they need to look at customers in relation to all consumers in the market. And their own capabilities in relation to all companies their customers may come in contact with. When evaluating service, customers look at all services they receive, not just service from companies in the same market.



The first thing that will be needed is a definition of the market or markets you do business in. As we discussed in the section on mission statement, a market is primarily defined by customer need, not product.

Porter’s ‘five-forces’ model is useful in helping to define a market’s characteristics. It ensures you understand who your competitors are and who might be a competitor in the future. It is the competitors you don’t realise you have who may be the most dangerous, e.g. did companies in the camera market in 2000 realise that soon they would be competing in some market segments with mobile telephones?

Figure 3.1.6



Another useful tool for examining the market situation is to draw out the market supply chain – from suppliers, through producers, and various intermediaries, to the final customer. This is especially useful in complex B2B markets.

The research done on customers should also cover consumers, where relevant; this should result in various consumer market segmentations. Armed with this information you can then look at the key areas of competitive performance:

Table 3.1.10 Information for competitive performance analysis – total and segment

Market (unit sales, buyers, value £)
Market share
Major competitors' shares – (NB customer should define major competitors)
Position in market – 1) on key points of customer value, 2) on vision/execution
Share of customer (also known as share of wallet)
Comparative customer data – e.g. awareness of brand, satisfaction, commitment
Competitors' performance, strategy and proposition

Key analysis

These are important pieces of analysis, with which to understand value:

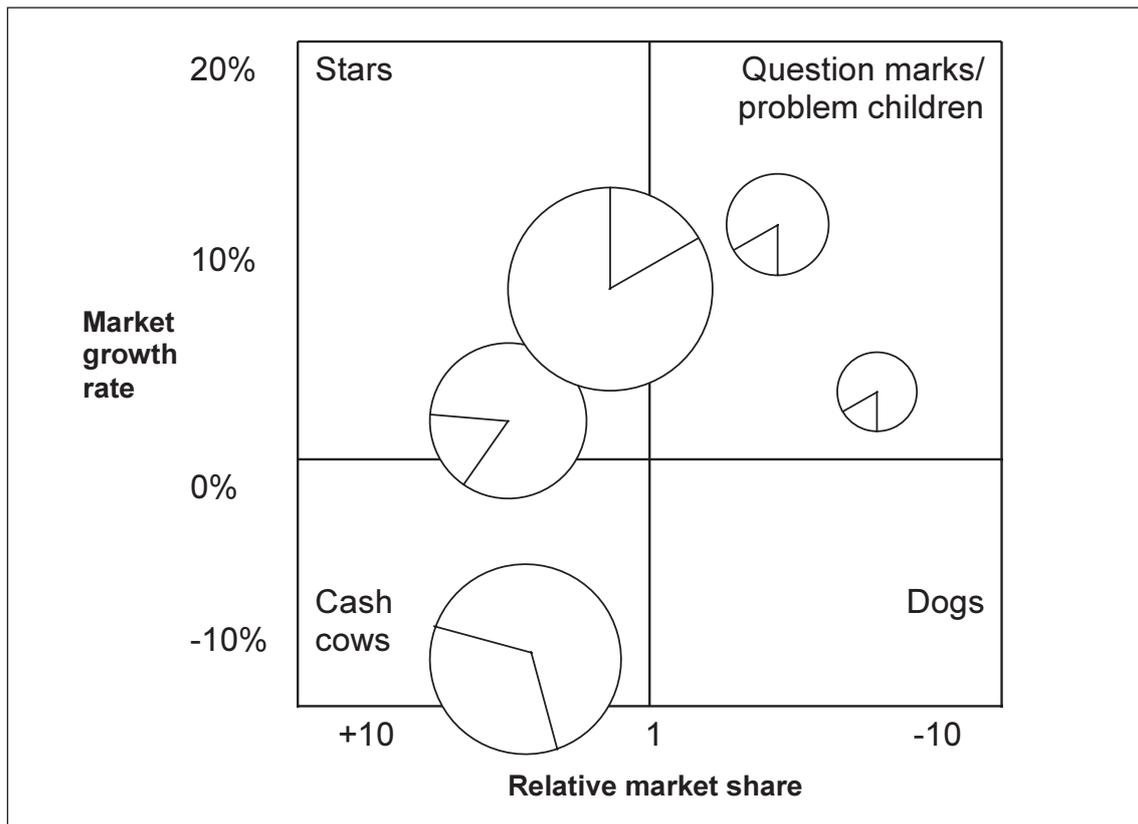
Product portfolio analysis

This is the traditional analysis of companies' products. It is based on the product life cycle (introduction, growth, maturity and decline) and is a way of balancing mature products with high profitability and low investment, with new products which need higher investment for future yield. One such model is the Boston Matrix.

The principles of the Boston Matrix are simple but have merit. Firstly, the model recognises that leading brands are nearly always more profitable (per unit) than also-rans. Secondly, it recognises that products in growth markets tend to be more profitable than products in declining markets.

Based on the rate of market growth and relative market share, the matrix creates four product typologies – ‘stars’, ‘cash cows’, ‘question marks’ (or problem children) and ‘dogs’; see figure 3.1.7:

Figure 3.1.7 The Boston Matrix



The size of each ‘product circle’ in the figure is proportionate to sales by value. The slice in each circle represents profit.

Each quadrant of the matrix suggests a different strategy. In table 3.1.11 we see strategies for each type. In a CMS this needs to be tied up with the overall customer strategy; for example:

Question marks may be suitable propositions for the development of key customers who can help develop the idea.

Stars may be ideas for customer acquisition of certain types of prospect or lapsed customer.

Holders of cash cow products may need retention or development strategies.

Banks use star credit cards and, to a lesser extent, cash cow personal loans as door-opening products to acquire customers, and then develop customer product holding in relevant ways.

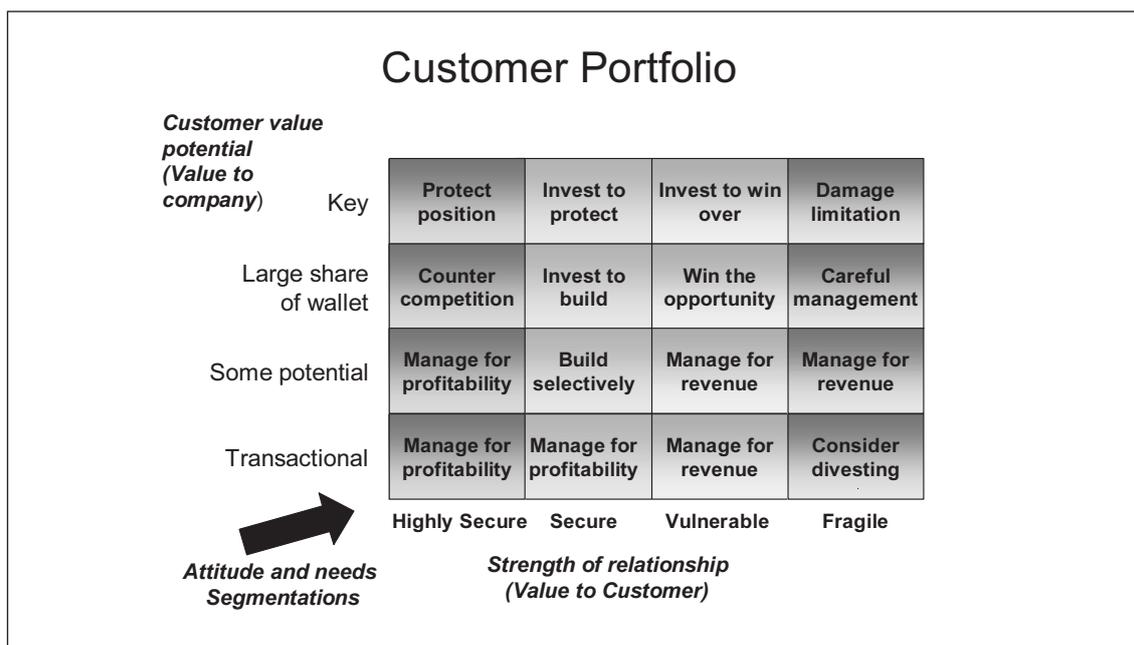
Table 3.1.11 Strategies for products in a Boston Matrix

<p>Stars</p> <p>Protect existing share Reinvest earnings in the form of price reductions and product improvements, providing better market coverage and production efficiency Obtain a larger share of the new users</p>	<p>Question marks</p> <p>Invest heavily to challenge the leader Focus on a definable niche Harvest or withdraw</p>
<p>Cash cows</p> <p>Maintain market dominance Invest in process improvements and technological leadership Use excess cash to support research and growth elsewhere</p>	<p>Dogs</p> <p>Focus on a specialised segment of the market Harvest by cutting all support costs to a minimum Divestment: sell the business off Abandonment: delete from the product line</p>

Source: Adapted from Day, G.S.

One of the most important pieces of analysis to understand value and to set the strategy is the customer portfolio. This analysis divides the customer base up into value (or asset) segments. It is the customer version of the Boston Matrix.

Figure 3.1.8



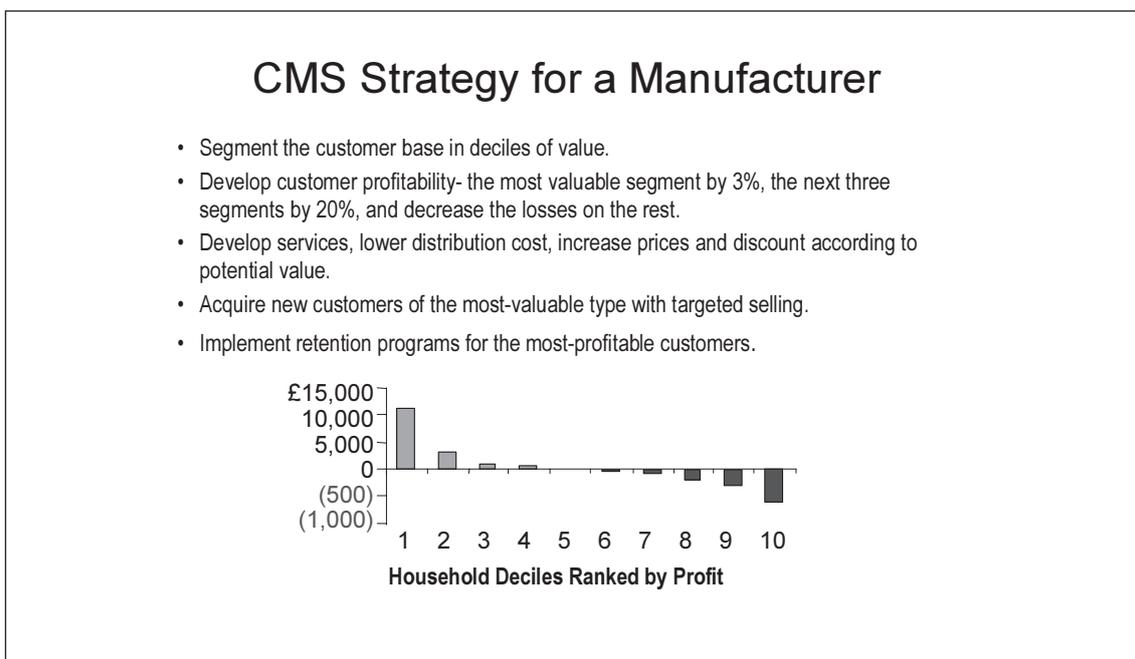
Source: Jennifer Kirkby, Gartner Ltd

The vertical axis shows the potential value of the customer to the organisation; the horizontal axis the perceived value of the organisation to the customer, i.e. the strength of the relationship from the customer's viewpoint. In B2B marketing this can be done for individual customers; in B2C markets use customer segments.

The customer portfolio helps define the objectives of the CMS, and the tactics to take for each value segment. Analysing the customer base in this way shows where immediate actions are needed – for example, with key customers who have fragile relationships – and where longer terms objectives and tactics must be put in place. The power of the analysis comes when it is crossed with other customer attitudes and needs segmentations.

Another simple way of dividing customers up into value segments is to use current profitability deciles. This was used by a manufacturing company to produce a very simple strategy:

Figure 3.1.9



Stakeholder analysis

As the CMS matures, companies need to be balancing the needs and value of different stakeholders. Thus stakeholder analysis becomes key. A UK telecommunication company weighs every decision up against a trade-off of the value between different stakeholders.

Stakeholder analysis is an iterative exercise in social network analysis; it should include research into social, category and brand influencers – people (companies and individuals) who have a strong influencing power with customers and consumers.

The three factors to look at when determining stakeholders are:

1. How much stake they have in the organisation
2. How much influence – internal or external
3. How much ‘attention grabbing’ capacity – often used in conjunction with the media

Example of stakeholder groups:

- Staff
- Current customers
- Shareholders
- Local communities around the organisation
- Suppliers
- Alliances and partners
- Trade bodies
- Social, category and brand influencers
- Relevant media

SWOT analysis

The SWOT analysis is the summary of all the other analyses done in understanding value:

Strengths are company factors that give you competitive advantage
Weaknesses are company factors that may work against you
Opportunities are external factors that are likely to be in your favour
Threats are external factors that may work to your disadvantage

Tackle the OT list first, not the SW list. By tackling the OT list first, you can rank the relative importance of your strengths and weaknesses in the light of the opportunities and threats that face you. Then you can establish priorities for improvement. The OTs can be taken straight from the PEST analysis.



For example, let us suppose you head-up marketing at **ABC**, an office supplies company with warehouses in the three main conurbations of the South East, North and Central Scotland. You take orders by phone, fax and online from SMEs (Small and Medium-Sized Enterprises). You deliver 'same day' within a 40-mile radius of your depots and 'next day' to anywhere on the British mainland. ABC's biggest competitor is **DEF**. DEF operates on a cash-and-carry basis from giant retail sheds situated on major business and retail parks. DEF offers permanent low pricing. At ABC you use promotional pricing. Two main catalogues a year establish official price levels and these are discounted in frequently issued promotional catalogues. Similar discounts are available from the website. ABC saves the sole-proprietor business precious time. As customers grow, they tend to migrate to DEF (to save money and get immediate supplies) or to smaller suppliers who offer face-to-face contact and a more proactive service.

NB ABC and DEF are entirely imaginary companies and none of the 'facts' of this case are based on any special knowledge of the office supplies market.

Opportunities

These might be the opportunities:

- Open depot in West Midlands (increase same-day deliveries from 65 to 80 per cent) ***
 - Establish extranet service for bigger customers (offer stock control etc.) ***
 - Extend into warehouse product supplies **
 - Build online affiliate network *
 - Acquire customer lists of failed smaller competitors *
 - Improve online and catalogue personalisation *
 - Reduce defections through enhanced CRM system *
- (The asterisks denote the approximate scale of the opportunity.)

Threats

There will usually be a similar number of threats. Threats may come from legislation and economic factors as well as direct and indirect competition. We will be looking at these under our next and last heading; planning assumptions.

- Competitive* – increase in DEF sheds **
- Competitive* – possible DEF delivery service/online ordering *
- Competitive* – development of online exchange for office supplies *
- Economic* – business failures due to economic downturn**
- Economic* – slowdown in customers' growth rates**
- Legislative* – changes in data protection legislation*

NB Threats do not have to be known developments, merely threatened or anticipated developments. You will need a contingency plan to counter threats.

Strengths and weaknesses

From customer activity data on the database and from customer and market research, you have a list of factors that are critical to maintaining and expanding your existing business. But looking at the *opportunities* and *threats*, you may identify factors that were less critical until now. To bridge the planning gap (or if the threatened recession takes place), you may need to accelerate your diversification into new market sectors, capturing business from larger enterprises and expanding your product offering.

Strengths

- Delivery accuracy, reliability and speed *** (your distinctive competence)
- Inbound telephone service **
- Perceived low pricing **
- Free trial *
- Depth of range *
- Depth and quality of customer data **

Weaknesses

- Retention of larger customers ***
- Contact centre staff recruitment/retention **
- Website personalisation **
- New product launch skills *
- Cost of customer acquisition **

The penultimate step in understanding value, is to generate a list of *critical success factors*. This will enable you to gauge more accurately the relative importance of each of your strengths and weaknesses.

Very often, the critical success factors (CSF) in your business will be a list of things you do better or worse than the direct competition. Not necessarily in objective reality – but in the perception of customers. To create such a CSF list you use the marketing research about what customers value, the capability assessment and the SWOT.

The marketing research will give an ‘outside-in’ customer focus but unfortunately, such a list cannot always be comprehensive. You may have (or lack) critical skills or resources that are not apparent to the customer. Suppose the main threats to your ambitions come from new technology? Suppose the main opportunities come from extending your reach into new markets or launching new products? Now a CSF list that includes only attributes that the customer sees looks incomplete. It is the role of the capability assessment to look at the internal organisation, its delivery and ability to innovate.

You must now use your judgement to weight the relative importance of each factor and attach a score to your potential performance. To see how this works, we can return to ABC Company. Your CSF list might look something like this:

1. Perceived quality of service
2. Perceived value of supplies
3. Staff training, motivation and retention
4. Same-day service coverage
5. Database management skills
6. Online technology/marketing skills
7. New market sector development skills

Table 3.1.12 Example of CSF analysis

Critical success factors	Weighting	Score (max 10)		Shortfall (below max. possible weighting x score)	
		SE	ME		
1	25	9	7	25	75
2	20	9	6	20	80
3	15		8		30
4	10		7		30
5	12		9		12
6	10		6		40
7	8		6		32

In table 3.1.12 the seven critical success factors have been weighted (column 2) according to their presumed importance. (The numbers in column 2 add up to 100 because they are percentages.) The presumptions are guided by experience and research in relation to the existing business. They are also influenced by the relative scale of future opportunities. In column 3, SE stands for Small Enterprises and ME for Medium Enterprises. These sectors have been scored separately because their perceptions of ABC’s service and value are markedly different.

The shortfalls in the last column are arrived at by multiplying the weight of each factor by our score (e.g. $10 \times 8 = 80$) then subtracting this from the maximum possible score (e.g. $10 \times 10 = 100$). The result is to show the priorities for strengthening. In our example, CSF 2 and CSF 1 will be top priorities if larger customers are to be acquired and retained. These customers are most likely to order online, where the opportunities to provide an enhanced service and differential pricing are far greater. The weakness in online technological and marketing skills (CSF 6) also requires urgent attention.

The final step

Now that you have completed your SWOT analysis and your CSF analysis, is that it? The answer is no. The shortcomings your work has revealed must be confronted. So you need a list of key issues to be addressed. This lists each issue and gives a brief (one sentence) explanation for its importance and a brief recommended action.



When you begin the task of choosing value and setting your objectives, you will be armed with your product and customer portfolios; a stakeholder analysis; the SWOT analysis; your list of critical success factors and your list of key issues that must be addressed if the objectives are to be met.

2. Choosing value (setting objectives)

The corporate strategy is the starting point for setting the CMS objectives. Marketing objectives are concerned with customers, markets and, maybe, products/services. It is only by selling someone 'value' that the corporate objectives will be achieved. (NB In a product strategy the thinking would be selling something to someone.)

So the CMS objectives will be concerned with:

- Acquiring new customers in current markets
- Acquiring new customers in new markets
- Winning back past customers
- Developing current customers in current markets
- Developing current customers by entry into new markets
- Retaining customers
- Efficient resource allocation in serving customers

Figure 3.1.10

CMS Objectives				
Corporate Goals	CMS Objectives			
	Acquisition	Development	Retention	Efficiency (CTS)
1. Grow Revenue by X%			X	
2. Cut Costs				X
3. Improve Margins	X			
4. Penetrate New Markets		X		

Strategy - CTS - cost to serve

How do we acquire the valuable clients who will value us?
 How do we develop value to us by developing our value to the customer?
 How can we retain or win back valued clients?
 How do we efficiently service clients ?



The corporate goals are the aim; objectives are what you want to achieve; the strategy is how that will happen. An objective starts with the word 'to', and a strategy with the word 'by'.

In setting the objectives, financial target, customer value, customer experience, market opportunity and internal capability gaps need to be taken into account. For example:

- If the corporate plan wants to increase revenue by 10 per cent and trends only indicate a 5 per cent increase then the marketing objectives need to fill the gap by acquiring more customers or developing current ones
- If customer profitability is desired above that of current levels, then objectives may be set to acquire more profitable customers; increase the profitability of current customers; or retain more profitable customers while letting less profitable ones go
- If there is a gap between forecast and desired customer experience, the gap may be filled with developing and retaining current customers with new services, or improving old ones
- If a market segment is showing 5 per cent growth overall, but the company is only achieving 2 per cent growth then an objective may be set for winning back past customers
- If objectives require a level of customer infrastructure maturity above that which is in place, there need to be objectives set to improve the efficiency of resource allocation, e.g. we will develop key account management for all major accounts

Traditionally, marketing objectives would have been about products and markets, rather than customers, but a CMS changes the focus to the customer life cycle. Nonetheless, products still have life cycles as well, and these still need to be borne in mind. There is a difference between developing customers with a 'cash cow' product and with a 'question mark' service.



When it may cost five times less to sell to established customers than to new ones, it makes little sense to set product targets without consideration of how many sales can be made to the established customers. *It is customers who provide the revenue stream – when we use our resources and capabilities to satisfy their needs and wants.*

The setting of objectives involves choices of:

- Core proposition
- Market and customer segments
- Market positioning against competitors
- Strategic direction
- Trade offs between options

This is where the work in understanding value comes into play. Scenarios should be built for changing market conditions. Scenarios are specially constructed 'stories' about the future that have a high degree of plausibility.

Ideally choosing value should not be left to planners, but should involve cross- functional teams: marketing should be a company-wide discipline, not a function.

The key question to answer in choosing value is: "Who should be buying from us, and why should they deal with us rather than others in the market." This is known as a Core Positioning Statement, and should be known by all stakeholders.

CMS objectives should be *SMART*. *SMART* is a good acronym; it establishes *five criteria* for a sound objective and it is worth remembering:

Five criteria for setting SMART CMS objectives

S for **Specific** – e.g. increase customer retention, not just increase sales

M for **Measurable** – e.g. increase customer retention, not just loyalty

A for **Aspirational** – e.g. by 20 per cent, not by 2 per cent

R for **Realistic** – e.g. by 20 per cent, not by 70 per cent

T for **Timed** – e.g. by year two

This stage is an ideal time to think about the key performance metrics to measure the progress of the strategy. Many companies adopt corporate performance management models such as the balance scorecard.

3. Designing value (setting strategies)

This is where the detail is put behind the core value positioning statement, in order to achieve the objectives.

In designing value the core value proposition should be turned into a set of brand values or USPs – these will come from your critical success factors. The brand value will need to be reflected in everything the company does – its products, services, customer experience, culture and infrastructure. This is the way that a brand promise is delivered and a position achieved in the market that is different to competitors.

Some companies have external brand and supporting internal behaviours, which become part of internal marketing and organisational reward and recognition schemes.



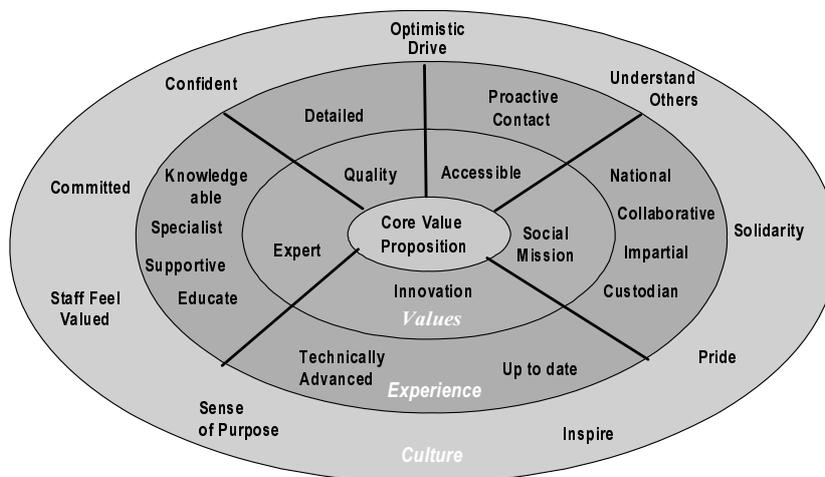
If you have a brand value that promises ‘innovation’, everything the company does has to demonstrate innovation, from the flower arrangements in reception, to the organisational structure, and annual report to shareholders.

Figure 3.1.11 shows the brand values for a B2B information provider; they wanted to be known as experts, who were easily accessible, providing innovative, quality services, with a social mission. They translated these values into what the customer would experience when dealing with them, e.g. staff would be supportive and educate; the information would be detailed; they would contact customers proactively; and be technically advanced. They then went further and planned the culture they needed to deliver the experience.

Figure 3.1.11



Brand Values Translated into Experience and Culture



Remember when developing strategies, to take into account likely market threats and actions by competitors. Strategies which do not consider potential competitive responses and build in contingencies are at risk of failure as they will not differentiate the company in the market.

In the past the *detail of the strategy* was designed by using the four Ps marketing mix – Product, Price, Place and Promotion. With a CMS the four Ps turn into a set of tools and techniques more suited to developing personalised customer propositions via a range of channels. Philip Kotler has called them the four Cs.

Figure 3.1.12

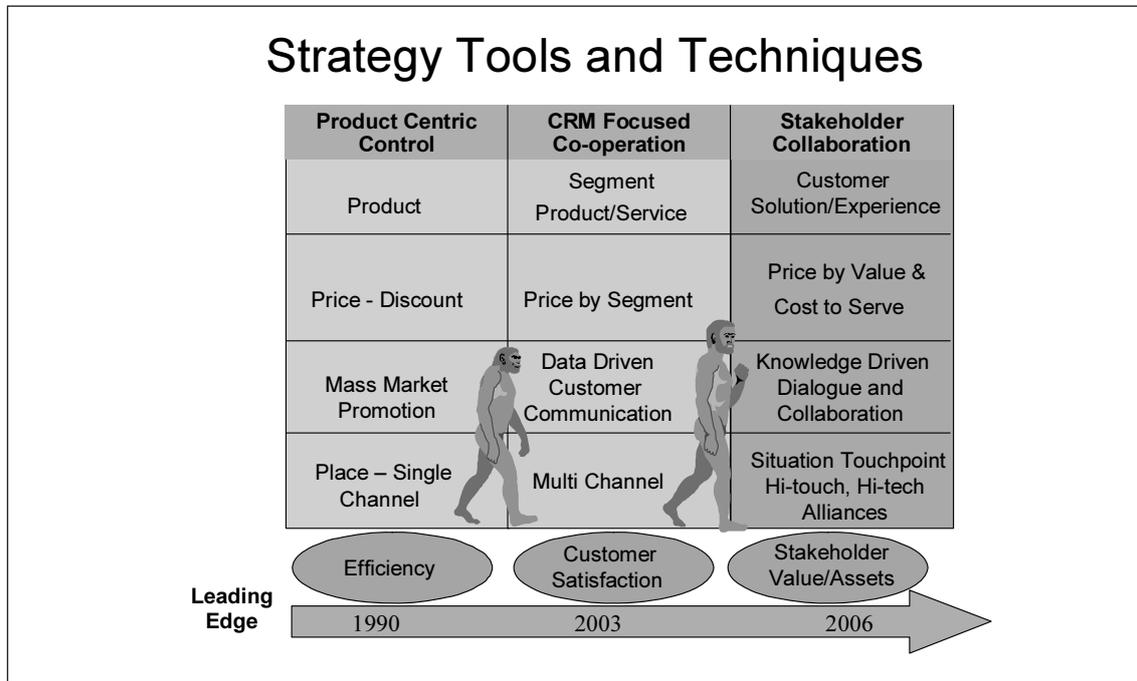


Figure 3.1.12 shows the idea of the evolution of the four Cs from the four Ps. It shows that businesses are moving away from product-centric mass marketing, towards stakeholder-focused collaboration. To evolve to this state they have started to use customer techniques to achieve product focused objectives – this has resulted in internal chaos and poor customer service.

If companies want to develop customers as assets, and manage a customer portfolio they need to completely rethink the tools and techniques they use in line with customer needs (see figure 3.1.4 above).

- Customers no longer need so much by way of material goods; they want *experiences* and *solutions* to their problems.
- *Price* needs to be flexible and based on value and ‘cost to serve’ of the service provided.
- The old method of promotion moves from one way communications, to building *engagement and collaboration*; encouraging word of mouth; and enabling customers to talk to each other, e.g. online chat rooms and communities. Increasingly customers will call down information from companies when required. In B2B markets there will be a growth in *company collaboration and partnerships, and key account management techniques*.
- Place is no longer a shop but the means of providing a service via a variety of channels or *touchpoints*. The channel used will depend on the situation. Sometimes customers will want high-touch and sometimes high-tech self serve.

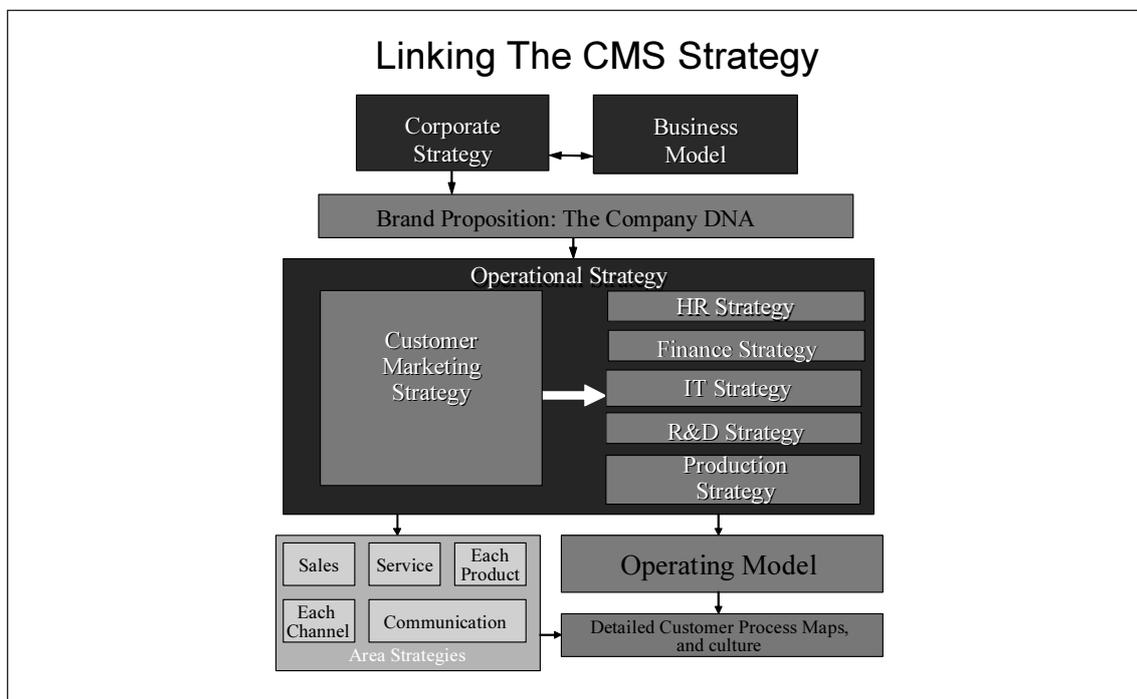


When building the customer propositions to achieve objectives, the chosen brand values must be kept in mind at all times and reflected in all activity.

Preparation for creating and ensuring value

In designing value the company's capabilities must support the delivery of the proposition. The CMS needs to guide other operational strategies, so that the right capabilities are built (see table 3.1.9 above). The strategy can then be turned into an operating model, processes map, culture and IT infrastructure, with supporting knowledge and metrics for continuous improvement.

Figure 3.1.13



It is the translation of a customer marketing strategy into operations, together with a feedback loop into 'understanding value' that turns a strategy from an 'ivory tower' tome, into an adaptive blueprint for aligning company resources with market opportunity.

Summary – the benefits of a customer marketing strategy

1. It is a crucial link in the value delivery system that delivers a company's proposition to customers, in order to gain value in return – assets and profits.
2. It is the blueprint that aligns operations, e.g. process design, cultural/organisational support and IT infrastructure: without it these areas will 'guess' at what is required.

3. It is the most productive means of assigning scarce resource to where it can produce the greatest value: a strategy must constantly understand where value is.
4. It helps decision making by determining what a company will and will not do: not all customer needs can be provided for; copying competitors leads to commodity pricing.

