

34 Marketing Insights from A to Z

Assets → Inputs → Offerings → Channels → Customers

Being product driven and heavily invested in assets, they push their offerings to every conceivable customer and fail to notice customer differences and values. Not knowing much about individual customers, they cannot efficiently *cross-sell* or *up-sell*. Both processes require capturing transaction and other information on individual customers and inferring what else they might be interested in. A customer-oriented company visualizes a different approach, called *sense-and-respond marketing*:

Customers → Channels → Offerings → Inputs → Assets

By starting with an understanding of customers, the company is in a much better position to develop appropriate channels, offerings, inputs, and assets.



Customer Relationship Management (CRM)

Everyone is talking about *customer relationship management (CRM)* as the new panacea. Yet it is an empty term until it is defined. Some people define it as the application of technology to learning more about each customer and being able to respond to them one-to-one. Others don't see it as a technology issue but rather a humane issue:

treating each customer with empathy and sensitivity. One cynic said that CRM is an expensive way to learn what otherwise might be learned by chatting with customers for five minutes.

Customer relationship marketing, in practice, involves the purchase of hardware and software that will enable a company to capture detailed information about individual customers that can be used for better target marketing. By examining a customer's past purchases, demographics, and psychographics, the company will know more about what the customer might be interested in. The company will send specific offers only to those with the highest possible interest and readiness to buy, and will save all the mailing or contact costs usually lost in mass marketing. Using the information carefully, the company can improve customer acquisition, cross-selling, and up-selling.

Yet CRM has not worked out that well in practice. Large companies sometimes spend \$5 million to \$10 million on CRM systems only to find disappointing results. Less than 30 percent of CRM-adopting companies report achieving the expected return from their CRM investments. And the problem isn't software failure (only 2 percent of the cases). *CRM-Forum* reported the following causes of failure: organizational change (29 percent), company politics/inertia (22 percent), lack of CRM understanding (20 percent), poor planning (12 percent), lack of CRM skills (6 percent), budget problems (4 percent), software problems (2 percent), bad advice (1 percent), other (4 percent).²³

Too many companies see technology as a silver bullet that will help them overcome their bad habits. But adding new technology to an old company only makes it a more expensive old company. Companies should not invest in CRM until they reorganize to become customer-centric companies. Only then will they and their employees know how to use CRM properly.

Frederick Newell goes further and accuses CRM of falling far short of the answer to serving customers well.²⁴ CRM puts the company in the driver's seat with a hunting gun instead of putting the customer in the driver's seat with a hunting gun. He wants companies to *empower* customers, not *target* them. Instead of companies

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just sending mailings to sell their products (a product-centered approach), they need to ask their customers what they are interested in (and not interested in), what information they would like, what services they would want, and how, when, and how often they would accept communications from the company. Instead of relying on information about customers, companies can rely on information *from* customers. With this information, a company would be in a much better position to make meaningful offers to individual customers with much less waste of company money and customer time. Newell advocates replacing *customer relationship marketing (CRM)* with *customer management of relationships (CMR)*.

My belief is that the right kind of CRM or CMR is a positive development for companies and for society as a whole. It will humanize relationships. It will make the market work better. It will deliver better solutions to customers. (Also see Database Marketing.)



We now live in a customer economy where the customer is king. This is a result of production overcapacity. It is customers, not goods, that are in short supply.

Companies must learn how to move from a *product-making focus* to a *customer-owning focus*. Companies must wake up to the fact that they have a new boss—the customer. If your people are not