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.)

Customers

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 thinking customer, they are not thinking. If they are not directly serving the customer, they'd better serve someone who is. If they don't take care of your customers, someone else will.

Companies must view the customer as a financial asset that needs to be managed and maximized like any other asset. Tom Peters sees customers as an "appreciating asset." They are the company's most important asset, and yet their value is not even found in the company's books.

Recognizing the value of this asset will hopefully lead companies to redesign their total marketing system toward capturing *customer share* and *customer lifetime value* through their products/services portfolio and branding strategies.

Over 30 years ago, Peter Drucker emphasized the importance of customer thinking to the success of a firm. He said that the purpose of a company is **"to create a customer. Therefore the business has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results: all the rest are costs."**[22]

L. L. Bean, the outdoor mail order firm, wholeheartedly practices a customer-oriented credo: **"A customer is the most important visitor on our premises. He is not dependent on us—we are dependent on him. He is not an outsider in our business—he is a part of it. We are not doing him a favor by serving him . . . he is doing us a favor by giving us the opportunity to do so."**

Products come and go. A company's challenge is to hold on to its customers longer than it holds on to its products. It needs to watch the *market life cycle* and the *customer life cycle* more than the *product life cycle*. Someone at Ford realized this: **"If we're not customer driven, our cars won't be either."**

Regrettably, companies spend most of their effort in acquiring new customers and not enough in retaining and growing business from their current customers. Companies spend as much as 70 percent of their marketing budget to attract new customers while 90 percent of their revenues come from current customers. Many companies lose money on their new customers during the first few years. By overfocusing on acquiring new customers and neglecting current customers, companies experience a customer attrition rate of between 10 and 30 percent a year. Then they waste further money on a never-ending effort to attract new customers or win back ex-customers to replace those they just lost.

Companies emphasize customer acquisition at the expense of customer retention in several ways. They set up compensation systems that reward getting new customers and do not reward salespeople as visibly for maintaining and growing existing accounts. Thus salespeople experience a thrill from winning a new account. Companies also act as if their current customers will stay on without special attention and service.

What should our aim be with customers? First, follow the Golden Rule of Marketing: *Market to your customers as you would want them to market to you*. Second, recognize that your success depends on your ability to make your customers successful. Aim to make your customers better off. Know their needs and exceed their expectations. Jack Welch, retired CEO of GE, put it this way: **"The best way to hold your customers is to constantly figure out how to give them more for less."** And remember, customers are increasingly buying on value, not on relationship alone.

It isn't enough to just satisfy your customers. Being satisfied is no longer satisfying. Companies always lose some satisfied customers. These customers switch to competitors who can satisfy them more. A company needs to deliver more satisfaction than its competitors.

Exceptional companies create delighted customers. They create *fans*. Take a lesson from Harley Davidson and the customer who said that he would rather give up smoking and other vices than be without a Harley.

Tom Monaghan, billionaire founder of Domino's Pizza, wants to make fans out of his customers. **"Whenever I see a new customer walk through the door, I see $10,000 burnt into their forehead."**

How do you know if you are doing a good job for the cus-

A German bank operated many branches throughout Germany. Each branch was deliberately kept small. Each branch manager had one task: to help clients increase their wealth. The branch manager did not simply take their deposits and make loans. The branch manager taught them how to save better, invest better, borrow better, and buy better. Each branch carried magazines on these subjects and offered free investment seminars to its customers, all to give them the skills to accumulate more wealth.

tomer? It is not shown in your profits this year but in your share of the customer's mind and heart. Companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability.

Marketing thinking is shifting from trying to maximize the company's profit from each transaction to maximizing the profit from each relationship. Marketing's future lies in *database marketing*, where we know enough about each customer to make relevant and timely offers customized and personalized to each customer. Instead of seeing a customer in every individual, we must see the individual in every customer.

But while it is important to serve all customers well, this does not mean that they must all be served equally well. All customers are important, but some are more important than others. Customers can be divided into those we enjoy, those we endure, and those we detest. But it is better to divide them into financial categories: platinum, gold, silver, iron, and lead customers. The better customers should be given more benefits, both to retain them longer and to give other customers an incentive to migrate upward.

One bank runs a club to which it invites only its high-asset depositors. Quarterly meetings are held, part social, part educational. The members hear from financial gurus, entertainers, and personalities. They would hate to lose their memberships by switching banks.

A company should classify its customers another way. The first group consists of the *Most Profitable Customers (MPCs)*, who deserve the most current attention. The second group are the *Most Growable Customers (MGCs)*, who deserve the most long-run attention. The third group are the *Most Vulnerable Customers (MVCs)*, who require early intervention to prevent their defection.

Not all customers, however, should be kept. There is a fourth category called *Most Troubling Customers (MTCs)*. Either they are unprofitable or the profits are too low to cover their nuisance value. Some should be "fired." But before firing them, give them a chance to reform. Raise their fees and/or reduce their service. If they stay, they are now profitable. If they leave, they will bleed your competitors.

Some customers are profitable but tough. They can be a blessing. If you can figure out how to satisfy your toughest customers, it will be easy to satisfy the rest.

Pay attention to customer complaints. Never underestimate the power of an irate customer to damage your reputation. Reputations are hard to build and easy to lose. IBM calls receiving complaints a joy. Customers who complain are the company's best friends. A complaint alerts the company to a problem that is probably losing customers and hopefully can be fixed.