



The Customer Revolution

How to Thrive When Customers Are in Control

by Patricia B. Seybold
Crown Business © 2001
395 pages

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Take-Aways

- Customers are now in control.
- The value of your company depends on your customer relationships.
- Customers are demanding open, equal and convenient access.
- Customers want real-time portable information.
- Customers want process, logistics and pricing transparency.
- Customer capital is the sum of the value of all your existing relationships.
- To measure your customer value, imagine you have a customer flight deck where you are monitoring your navigation, performance, operational controls and environment.
- To determine the depth of your customer relationships, measure your customer numbers, retention, experience and spending.
- Think of your customer franchise as the total value of your current customers and your customer momentum, which is your ability to attract and sustain new customers.
- Place high-level executives in charge of total customer experience.

Rating (10 is best)

Overall	Applicability	Innovation	Style
8	9	8	7

Review

The Customer Revolution

Patricia B. Seybold, author of the new-economy classic, *Customers.com*, discusses e-business techniques for improving your customer value. Based on the premise that customers are much more informed, and thus are aware of competitors and pricing, she describes how to embrace the e-business revolution and respond to these new demands. Seybold includes many examples of companies that successfully adopted these strategies. However, it should also be noted that as this review is being written, many companies that espoused the ideals offered here are closing up shop. That being the case, the imminent and dramatic changes to the nature of business identified by Seybold might be a bit less imminent and dramatic than advertised. Nevertheless, *getAbstract.com* strongly recommends this book to executives, sales managers and customer service pros, all of whom will benefit from her innovative business strategies.

Abstract

Customer Control

As a result of the Internet, wireless devices and the rise of e-commerce, customers are in control. They can easily move to another product or service provider with the click of a mouse. As a result, they have more demands and expectations. They seek a high level of service, better prices and innovative products and services, and they tell each other about their experiences, good or bad.

However, while customers have many more global shopping options, so do providers. You can reach out to many new customers yourself, and you can use the Internet's power to try new products. You can also embrace and find ways to work with the new business models that your customers are trying, such as peer-to-peer file sharing (Napster), open-source design communities (Linux) and self-policing marketplaces (e-Bay). Customer relationships have become the primary source of value in today's customer-based economy. This "customer capital" has become as important as investment capital.

Today, every business needs to be online. Increasingly, customers want to interact with your company as an e-business, via e-mail or a Web site, in addition to other types of contact.

Customers also demand trust, which grows from every experience they have with your product and service. This interaction contributes to how they feel about your brand. Build trust by effectively managing this interaction to create a positive experience. With new technologies, you can obtain information from these customer interactions and streamline your dealings by working toward a seamless online experience. Three important principles are at the base of this shift to a customer-driven economy:

1. The customer is in control — This control is reshaping businesses and transforming industries. Customers expect your company to harness information technology for their convenience and to share and reuse digital products freely, paying just once or not at all for them. They seek customized products and services and want to compare prices.

"Customers are in control. They're changing the face of business as we know it. And your company's value is in their hands."

"Customer capital is the sum of the value of all customer relationships — the number of customer relationships you have, the depth and quality of those relationships in terms of their capacity to generate current and future earnings, the duration of those relationships (your customer retention), and the profitability of those relationships."

“To keep on track, today’s business must effectively turn information about its customers into intelligence that can guide the company’s actions.”

“Your business should be designed around the outcomes that your target customers are trying to achieve.”

“Customers are no longer willing to be locked in. They want great service, fair prices and innovative offerings. If they don’t get these, they’ll go elsewhere and they’ll tell the world.”

“Every business is now an e-business. Virtually every business on the planet now has ways for customers and suppliers to interact electronically.”

2. Customer relationships count — These relationships will determine your company’s value. The sum value of all your customer relationships creates customer capital, based on the number of customer relationships, their quality, their contribution to your current and future earnings, your length of customer retention and each customer’s profitability.
3. Customer experience matters — The way customers feel when they interact with your brand shapes their loyalty. Customers want a high-quality, predictable experience and high-value products and services. Place a high level executive — at least an executive VP or a general manager — in charge of the total customer experience at every customer touch point and as a supervisor of distribution channels.

To measure customer value, imagine that you have a “Customer Flight Deck” or instrument panel where you monitor all of the activities of each customer and the things that are most important to customers (i.e. accurate bills, on-time delivery, customer care efforts) and the outcomes throughout your organization. Then, apply these three principles:

Principle #1: Customers Are In Control:

Twelve major customer demands are changing business today. This “digital dozen” affects various industries different ways. These include demands for:

- Open, equal access — Customers want a more active role, such as seeking after-hours trading and real-time feeds of information in the brokerage industry.
- Real-time information — Customers want to know more about available inventory — what’s on hand, where and how soon they can get it.
- Specialist information — Customers are interested in highly technical information about such things as legal precedents, health and genetics.
- Convenient access — Customers seek such services as online counseling, coaching and monitoring, and want to use online technology to schedule appointments and obtain personal information, such as viewing medical records (if they can view them securely).
- Mobile wireless access — Many customers use wireless mobile phones or personal digital assistants for day-to-day activities like buying stock, hearing the news or for location-based services, like details on local resources like gas stations and cash machines.
- Information portability — Consumers want to move their purchasing information around from supplier to supplier.
- Process transparency — Consumers want to see the status of any process they have started or depend on, such as the production status of a customized product.
- Logistics transparency — Consumers want the status of their order’s distribution.
- Pricing transparency — Consumers want to know prices and to compare them.
- Fair, global pricing — Consumers don’t want to be overcharged through pricing disparities — and through comparison of prices, they can tell when they are.
- Setting prices — Increasingly, customers want to choose what prices they pay through price-setting services such as Priceline or business aggregation companies like EqualFooting that combine many small businesses’ buying power to reduce prices.
- Choice in distribution channels — Consumers want to choose among manufacturer-direct and other distribution options. They like product aggregators who offer the best availability of product, the smoothest business processes and the most conve-

“Be prepared to participate in customer-led, self-organizing communities and to respond flexibly as customers’ behaviors reshape the practices in your industry.”

“The companies that will thrive in the customer economy understand how to build and maintain customers’ trust by carefully managing customers’ experiences with their brands.”

“Customers now expect us to harness information technology to make life more convenient for them.”

“Customers want a high-quality, predictable experience combined with high-value products and services.”

nient, reliable delivery services. They want product information direct from the manufacturer.

- Control over their information — While consumers want you to track their interactions and transactions so you can better customize and deliver products to them, they want to be in charge of how that information is handled. They want their privacy.

Principle #2: Customer Relationships Count

Since the value of your customer capital is so important, don’t just seek new customers, seek more valuable customers. Build your customer franchise. For example, AOL has developed a deep customer relationship by learning what its customers do online, including what they look at, buy and care about, unlike Time-Warner, which had only a passive relationship with customers prior to their merger.

To more carefully track your customer capital — the sum of the value of all your existing relationships — examine the number of active customers, the different customer segments based on demographics and when they were acquired, and the current average profit per customer in each segment. For each segment, examine the cost of acquiring a customer, the retention rate and the anticipated growth or decline of profits per customer. You can determine several measurements through this assessment, including:

- Your current customer capital — The net present value of the total customer lifetime value of your current customers;
- Your customer momentum — The ability to attract and sustain new customers, which will include the value of future earnings from these customers;
- Your customer franchise — To get the total present value of the projected earnings from your current and future customers, add customer capital and customer momentum.

Principle #3: Customer Experience Matters

Customers’ brand loyalty is determined by how they feel when they interact with your brand, so you must give them a great customer experience by meeting their expectations. Then, you can gain their loyalty and draw on their input to direct your business. The brand image that Richard Branson created for Virgin Airlines associates it with value, quality, innovation and fun. Advertising reinforces this brand image, which is emphasized internally so customers always have a good “Virgin experience.”

Start by creating a strong brand identity based on a brand personality that makes you stand out. Build a relationship based on trust, integrity, value, reliable fulfillment, delivery and support. Trusted companies respect the customer’s time and make doing business easy, whether online, by phone or in a store. You can transfer an established brand to the online environment, or you can create this branded experience from scratch. Prudential, a British insurance company, established Egg as a new brand to attract a new type of customers, who wanted self-service, personalized attention and value. After testing and refining their value proposition through research with 30,000 consumers, they identified what customers wanted (flexible mortgages and loans, more convenient service) and used ads and promotions, such as higher savings interest rates, to lure customers.

A Plan to Measure Customer Value

Use a Customer Flight Deck as a framework to guide you in thinking about what metrics and measurements your company should track about customers. Monitor these elements:

“Customers increasingly demand to download, install and use your products before they’re ready to pay for them.”

“Put yourself in the customer’s shoes and design your customer information systems for his use.”

- Your navigation — To check that you are traveling in the correct direction.
- Your performance — To determine that all your systems are functioning correctly.
- Your operational controls — To enable you to make necessary adjustments as needed.
- Your environment — To make sure the elements around you don’t catch you unaware.

To determine the depth of your customer relationships measure these factors:

- Customer numbers — The number of active customers you have.
- Customer retention — The number of customers remaining loyal to you over time.
- Customer experience — How positive are your customers about their interaction?
- Customer spending — To determine how much you make per purchase or transaction, total sales and earnings for each customer.

Finally, follow these eight steps:

1. Create a compelling brand personality like Sunday Communications Ltd.
2. Deliver a seamless customer experience across channels and touchpoints, like General Motor’s Vauxhall Division and Snap-On Inc.
3. Care about your customers and their outcomes, like Charles Schwab did in creating a customer-centric culture.
4. Measure what matters to customers, as Hewlett-Packard did.
5. Hone your operational excellence, as done by Tesco and Timbuk2 Designs.
6. Value your customers’ time, like National Semiconductor, which used customer scenarios to save time.
7. Place customers’ DNA at the core by building e-markets around your customers’ profiles, portfolios, projects, and professions, as done by Buzzsaw.com, based on customers’ building projects and Medscape Inc., based on digital medical records.
8. Design to morph, be ready to change your business, as the Okobank Group did in moving from traditional branch to online banking and as W.W. Grainger Inc. did in transforming from an industrial supplies middleman to an e-market maker and e-utilities provider.

About The Author

Patricia B. Seybold is the author of the international bestseller *Customers.com* and the founder and CEO of the Boston-based Patricia Seybold Group, which specializes in helping Fortune 500 companies with their e-business strategies, best practices and technology architecture decisions. Founded in 1978, the firm offers customized consulting services, an online strategic research service, executive workshops and in-depth research reports.

Buzz-Words

Brand loyalty / Brand personality / Current customer capital / Customer capital / Customer control / Customer flight deck / Customer franchise / Customer momentum / Customer relations / Customer revolution / Navigation / Operational controls