

CHAPTER ONE

THE AGE OF THE CUSTOMER

How Did We Get Here?

EVERY YEAR, AS PART OF STAYING IN TOUCH WITH OUR CLIENTS' customers, I visit retail locations to observe how customers behave in-store and how well the floor staff and sales associates are interacting with them throughout the sales process.

A couple of years ago, on a warm and sunny Saturday morning, I visited one of our automotive client's dealerships to spend a morning observing customers in order to get an idea of the car-buying experience from a customer's perspective. I watched for a while and then spent some one-on-one time with several of the sales associates to discuss how the sales process was working. On this day, the dealership was filled with customers shopping for new vehicles, always a welcome sight, but it was really *how* they were shopping that caught my attention—it felt completely different than just a few years back.

Customers were less interested in product information and more interested in taking a test drive, deciding on the spot, and negotiating an offer. This differed from just a few years ago, when the average customer would visit a dealership at least three

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times before beginning to negotiate a price. They needed these multiple visits to build up their product knowledge prior to making their final decision.

Today, the opposite holds true. Before visiting a dealership, customers have spent countless hours online researching brands. They've gathered information, read consumer reviews and influencer opinions, and used their social networks to get first-hand experiences from known third parties. They've probably also spent time on the brand's website, maybe building a car online with their desired, optional features, and perhaps they have even reviewed multiple financing options as well. They've done their homework. Armed with the information needed to make an informed decision, only then do they visit the dealership (whose customer reviews they've also checked out), arrange for a test drive, and negotiate a deal based on their pricing research.

Yes, these are the new car customers—sometimes more knowledgeable than the salesperson who waits on them! So that is our challenge: How do we influence these new customers, give them the information they need to make decisions, and anticipate their questions before they arrive at the dealership?

For our automotive client, we've tried a number of things such as making online content more interactive, linking to external reviews and blogs, monitoring social forums (including online communities) to see what people are talking about, and training product specialists and sales teams to be up to speed with current trends. Essentially, everyone on the sales floor needs to be confident, knowledgeable, and prepared to meet the needs of every customer who walks into the showroom. And while these seem to be working, we've only just scratched the surface—we know there'll be more changes to come.

SOLUTIONS COME THROUGH UNDERSTANDING

The dealership story is a micro-example of what is happening today. The last decade has witnessed a massive shift in how we market products and services. Driven by digital technologies, social media, hyper-competition, product proliferation, globalization, and changing customer behaviors, a new marketing era is upon us with a vengeance. And the most dramatic element of this new era is an empowered customer who is leveraging information through all things digital at a frenzied pace, making the world of marketing a much more challenging place for marketers. Just keeping up in this customer-driven, real-time environment requires a huge commitment.

The digitization of daily life has acted as a catalyst for the emergence of new customer behaviors, and as a result, has created fundamental changes in how business is done today. I've spent a lot of time in the trenches, not just in the auto market, but with other consumer and business-to-business (B2B) products and services, and with this field-tested experience, I have developed different strategic approaches on how to connect with this elusive, discerning customer. My hope is to reduce the confusion and shine a simple but powerful light on how to succeed in this new environment.

Over the last 10 years, I've invested a lot of time in understanding how these new and evolving customer behaviors influence our current business practices. I have channeled this learning into a strategic approach that has enabled my team and me to redesign and retool our organization to succeed in this new environment. As a result, we have built a business model that enables us to help our clients take advantage of new opportunities and win in this complex marketplace. In the following chapters, I'll share some of this learning and provide you with market-tested tools to evaluate your organization's readiness, including cultural and operating system changes that you may need to consider in order to prosper in this customer-centric marketing environment.

THE ROAD FROM GROUND ZERO

Before we dive in, let's establish some context on how we arrived at this major economic, cultural, and societal shift and set the stage for answering the big question:

“Where do we go next with this new, empowered customer?”

We'll start at ground zero of marketing to get an appreciation of where we've come from. As we look back through modern economic times, it's interesting to plot economic change against the evolution of marketing and see how these changes contribute to today's marketing environment. The way marketing change has played off economic change, and vice versa, demonstrates how innovations in both fields have moved us through a variety of marketing “eras” to our current situation (see Figure 1.1).

The *Industrial Revolution*¹ started the evolution to modern marketing by taking the world out of the simple barter system into a new age of manufactured goods. The first (1760–1840) and second (1840 to the 1920s) *Industrial Ages* created the last major shift in society. One of the most important outcomes was that average incomes experienced unprecedented and sustained growth, leading to the birth of the middle class. In the words of Nobel Prize winner Robert E. Lucas Jr., “For the first time in history, the living standards of the masses of ordinary people have begun to undergo sustained growth. . . . Nothing remotely like this economic behavior is mentioned by the classical economists, even as a theoretical possibility.”² Driven by new manufacturing processes, the Industrial Revolution produced a wave of inventions and innovations that changed almost every aspect of daily life and marked a major turning point in history. Sound familiar?

THE AGE OF THE CUSTOMER ROAD MAP

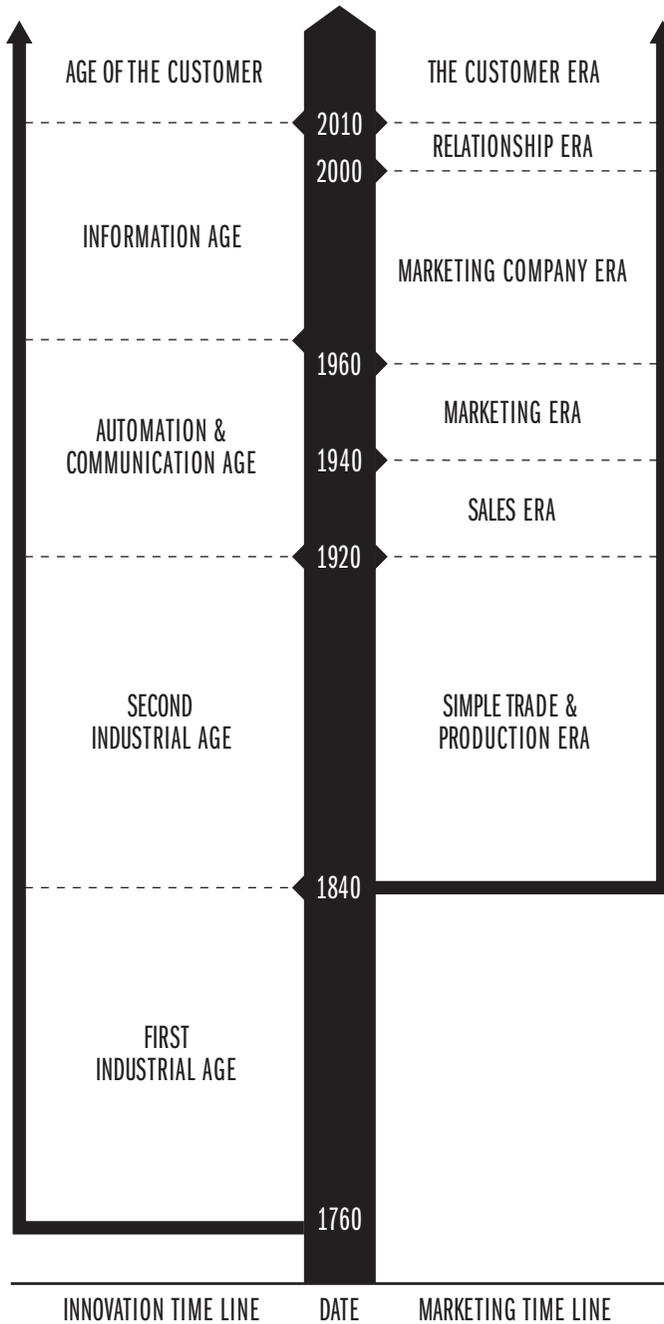


Figure 1.1 Innovation and marketing time line.³

Its impact on society parallels the incredible changes we are witnessing today.

The Industrial Ages spread innovative solutions and new manufacturing processes across different industries, and created a wide variety of goods in all sectors of the economy. Initially, because of low volumes, all goods were purchased. However, manufacturing efficiencies and outputs improved, and a middle class emerged wanting to buy these goods, spawning the *Automation and Communication Age* (1920–1965). During this period, production exceeded demand and competition became a marketplace reality. With competition firmly in place, businesses were forced to add employees to sell their goods. This period was known as the *Sales Era*.

The Automation and Communication Age continued until World War II intervened, and manufacturing resources were redirected to meet the needs of the war effort. It was North American manufacturers, primarily in the United States, that gave the Allies a decisive advantage in winning the war. At the conclusion of World War II, America emerged, unlike war-ravaged Europe, with a massive manufacturing base at its disposal, which had to be repurposed for peacetime and the pent-up demand for goods from a population who had sacrificed so much during the war years. This gave rise to mass marketing and the *Marketing Era*, which introduced early advertising and other marketing disciplines into the selling process. Technology evolved during this period, too, and set the stage for the *Information Age*. In particular, television's arrival added an exciting new dimension to the marketing mix.

As the 1960s moved forward, marketers capitalized on this new medium and were able to get their selling message to millions of viewers in 60 or even 30 seconds. Consumerism became a defining part of our lives, and marketing became an integral part of our culture. This age introduced the Marketing Era, which added more

complexity to the marketing mix by moving beyond product marketing to disciplines such as customer research, segmentation, and branding.

The Automation and Communication Age was then followed by the Information Age (1965–2010), which is still a vital part of today's economic and marketing environment and the breeding ground for a wave of technological innovations that continue to change our world. Initially, information technologies contributed to the improvement of the manufacturing process. Efficiency and quality skyrocketed and allowed countries such as Japan, Korea, and China to become global players. We also ushered in a new age of distribution, as manufacturers were able to move products around the globe. From a marketing perspective, new information technologies (e.g., databases, increased processing speeds, powerful desktop computers) enabled the introduction of relational databases to build the framework for customer profiling and early database marketing. Evolving digital technologies increased the speed of innovation (it seems like we have an industrial revolution every couple of years now) and created a new economic order as the Web took off. This period brought high-speed bandwidth, social media, mobile phones, and other advances into the mix. During this age, marketing expanded its footprint and importance across all industries and built a broad range of sophisticated services and capabilities. This expansion was known as the *Marketing Company Era*.⁴

Still in the Information Age, the Marketing Company Era gave way to the *Relationship Era* approximately 10 years ago.⁵ The Relationship Era capitalized on the same digital technologies that were powering the Marketing Company Era, but now there was exponential improvement and performance in the technologies at the marketers' disposal.⁶ (Think of Moore's Law: Computing speed doubles every 18 months.)

The Relationship Era took the first steps toward customer centrality, but organizations still had a brand-first/customer-second pecking order. As the power of digital technologies enabled the customer to take the upper hand, the relationship started to flip. I call this current stage the *Age of the Customer*, and what an age it's turning out to be.

THE AGE OF THE CUSTOMER

I believe we moved from the Information Age to the Age of the Customer about 10 years ago, when the adoption of social media started to gain traction in the marketplace. Social media had been concentrated with early adopters, but the trend was clear. The introduction of smartphones pushed connectivity to new levels of performance and accessibility and added a new screen to the customer's portfolio of devices.

These early and hyper-speed adoption rates were indicators of things to come and the transition of power to the connected customer. The Information Age really got the digital world moving. Customers could go online, get pricing and inventory availability, and buy. In essence, it created a new sales channel for the marketing team. The Age of the Customer is much more disruptive and has dramatically changed how customers behave, purchase, and engage brands. There's no going back.

**“Beware of not meeting customer needs,
because if you don't, they'll just move on.”**

Since the Industrial Age, the pattern of innovation has been fairly consistent. Manufacturing and business innovations would stimulate new marketing practices, which would then be used to persuade customers to open their wallets and, hopefully, become

loyal customers. In the last decade, the sequence has been reversed, and now the customer is dictating the terms of engagement. With this new leadership role, the customer has shaken up how marketing takes place. I call this the Age of the Customer from an economic perspective, and the *Customer Era* in the marketing time line.

In previous eras, innovations in manufacturing, information, and communications sparked new marketing practices. These practices were mainly driven by the marketer and unaffected by the hands of the customers, but in this new era, it's the customers who have a prominent and leading role in the relationship (see Figure 1.2), and we're even seeing their increased participation in strategic planning, product development, and marketing program development. While the Customer Era is still in its early stages, it is most obviously played out in the behavior of the young Gen Y or Millennial

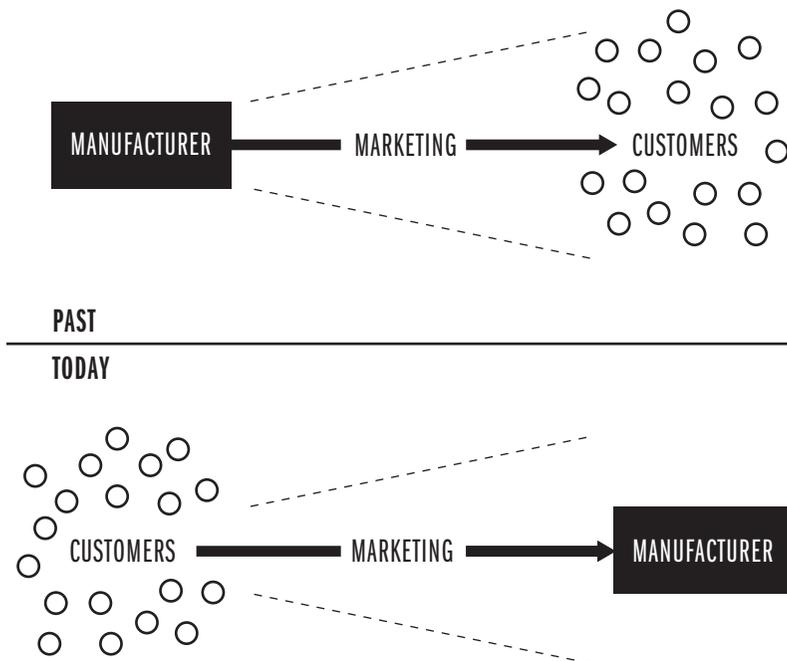


Figure 1.2 The new pecking order.

generation. This new customer–brand dialogue signals that a new pecking order is in play between customers and organizations, and if you are ignoring the shift, you are doing so at your own peril.