Chapter 1

Doing Business in the Twenty-First Century

People often think it's other businesses that are affected by competition and technology, but not theirs. Or their customers don't want to change. It is always the other guy.

In 2018 this is a very risky position to maintain.

Not only is buyer change taking place everywhere, but the velocity of change is increasing. All businesses are affected.

Digital disruption rarely fits our linear way of thinking about the world. We make plans assuming a set of conditions that exist today and expect those conditions to be stable over time. We rationalize a set of rules about the way things will unfold. Otherwise, planning is of no value. But change driven by technology, data, connectivity, software, AI, and other advancements are surprisingly additive to each other. Change becomes exponential instead of linear. Moore's Law now applies in other places and describes the acceleration of the changes we feel and see.[1]

Change Happens Gradually, Then Suddenly

In 2018 we are in the "suddenly" phase of exponential change regarding buying and selling.[2] Radical change is obvious in our daily lives when we use our phones to research a purchase; ask Google, Siri, Cortana, or Alexa a question; seek out reviews of products using our phones; and compare prices online.

Inbound strategies aren't only relevant to marketers. Engineers seek out other experts discussing technical questions on social media. Designers seek the newest product packaging options from online e-magazines. A purchasing manager looks for component suppliers on an industry website, a CEO of a small business looks for marketing expertise using LinkedIn, and a salesperson tries to connect with prospects on Twitter or Instagram.

The question is no longer whether buyers are changing, but rather how do business leaders build organizations that serve and succeed given this new buyer behavior.

Over the past 50 years, companies have spent countless hours and billions of dollars to optimize their internal processes. But this internal efficiency no longer drives growth and certainly does not help build customer relationships in this age of abundance.

Peter Drucker once said that "the purpose of a business is to create and keep a customer."

Creating and keeping a customer is different now. For example, in the United States:

97% of consumers now use online media when researching products and services in their local market.[3]

93% of all B2B purchases start with an Internet search.[4]

84% of buyers engage in online information consumption and education.[5]

By a factor of 3 to 1, B2B buyers say that gathering information online on their own is superior to interacting with a sales representative.[6]

59% of B2B buyers explicitly indicate that they do not want to interact with a sales representative as their primary source of research.[7]

74% of sales go to the first company that was helpful.[8]

And this is not only a trend in the United States. According to HubSpot's 2017 *State of Inbound* report, 72% of companies in EMEA and 64% in Asia are employing an inbound marketing strategy in response to similar buyer shifts.

And the statistic that best reflects the changes in buyer behavior is that more than 70% of the average buying process is completed by the buyer alone before a buyer talks to a salesperson.[9] This number is much higher for many B2C purchases.

Some people like to argue over these statistics, and there is room for analysis and interpretation. We cite them here not to provide an absolute value of buyer behavior but as an indicator of the trends that are causing problems for organizations that we will discuss.

What we know for sure is that information proliferation, the Internet, and new communication tools and platforms have drastically changed how organizations create and keep a customer. Does that mean your sales department is irrelevant? No. Does it mean they need to adapt. Yes, it certainly does.

Relationship control, now driven by buyers, demands a new response from every aspect of an organization. Some organizations have responded by adopting inbound marketing tactics, some have adjusted with new sales strategies, and a few are looking at the ongoing customer service experience and creating inbound tools.

These shifts in buyer behavior also mean org chart changes for most organizations. Fundamental buyer behavior changes require different budget priorities and force scorekeeping and analytics changes. Management skills must change. The whole company must now be a part of the customer relationship process, not just marketing and sales.

Change is necessary throughout the *entire* organization to deal with these external challenges.

Doing more with fewer resources, managing a multigenerational workforce, adopting cloud technology, adhering to government regulations, managing costs through outsourcing, utilizing more contract workers, eliminating middle management, and managing distributed teams—these internal changes within organizations impact the experience of prospects and customers outside the organization.

Increased Competition from Everywhere

> *More and more of what we care about in the second machine age are ideas, not things—mind, not matter; bits, not atoms; and interaction, not transactions.*[10]

Digital transformation for many industries leads to prices coming down, meaning many products and services are hurtling toward commodity status. And moving toward commodity status means they may be heading toward irrelevance. Margins get squeezed and start a downward spiral that is hard to stop. It is hard to innovate when you are in survival mode.

So many great products and services are now free. Many software products operate on a freemium model, with the base product available to anyone. Everyone expects a lot of value for free before they even consider a purchase. This thinking is pervasive with consumer products and is moving more and more into traditional B2B transactions. Business buyers want a free trial period, a demo model, or more experience with the actual product to confirm they are making a good decision.

A free trial is not only a requirement for software and apps, it applies to other industries as well. A capital equipment company we work with recently installed a complex food packaging production line inside a food manufacturer's facility for a 30-day test period. Three other equipment manufacturers did the same thing. The trial period was part of the price of competing for the business and was done at the seller's expense.

Product quality is an assumed requirement for consideration, making product differentiation more difficult. If product quality is substandard, product reviews, rating sites, and search trends quickly catch up with the company in a very public and painful way.

Business services are commoditized. Cloud computing, world-class accounting software, financial tools, quality programs, design software, management services, and many other tools have proliferated and are available to most every business.

Traditionally, scarcity yielded high prices and uniqueness built an advantage. The digital and competitive landscape make scarcity and uniqueness ever harder to achieve.

Regardless of the macro trends and how you feel about speed or consolidation, there is one thing we can agree on—digital information has put incumbents at risk for disruption. It is easier today to start a company than ever before. People can start a company for few hundred dollars. Any small upstart can drive traffic and generate leads digitally at a high rate with low cost. A website and great content combined with savvy promotion is enough to open the door to new markets and customers from all over the world.

For the majority of businesses, even up to the Fortune 1000 level, this is the new reality.