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Today's powerful customers are driving businesses to be customer focused like they have never been before. With markets demanding unique products, services and experiences and competitors coming in from all parts of the globe to try and satisfy these demands, this power shift to customers has intensified some "keep management awake at night" *problems*.

Since management's *beliefs and principles* drive company strategies and activities that help solve these problems, they have to be re-thought in light of the "powerful customer" economy if challenges, like the following, are to be dealt with successfully:

- Commoditization of products, related services and overall value propositions. In other words, market player strategies are converging to the point where price is the only difference between competitive offerings. Furthermore, their inability to charge "premium" prices highlights another, related problem; *growth and profits*.
- Customer loyalty. Getting and keeping the right customers to become perpetual buyers and "most valued." "Most valued" means customers are, among other things, ambassadors for their vendors, fully conscious of how their activities impact vendor costs, and co-business consultants.
- Time, theirs and their customers', to proactively identify the activities and benefits that will lead to a unique market position.

Here's why beliefs and principles need to be re-thought.

The key to solving any problem is *knowledge*. And the specific knowledge needed to develop improvements and innovations used to solve these particular problems must originate from the customer. In other words, customer knowledge is the power that drives the creation of any solution's value.

But this knowledge can't be developed using the thinking guided by conventional beliefs such as:

- Companies believe they know what customers need.
- It costs too much in time and effort to learn how customers work.
- Customers will (be able to) tell their suppliers what they want.

The principles and activities that are derived from these beliefs are product and company centric. What company leadership needs are new beliefs, like adopting the *opposite* of those above. From these reversed beliefs come the *Seven Leadership Principles for Creating Customer Powered Value**:

1. **Customers are the real source of market ideas. Know them better than "product and price."**

Even if businesses don't care about customer problems that are unrelated to the solutions they provide they still have to look to customers for ideas to find new products and related services and improve existing ones. Innovative customer value is usually hidden in their total problem set and is hard to discover without asking different kinds of questions and involving as many company and customer people as possible to uncover relevant, profound information.

To get this profound information, don't ask customers what they need. They, more than likely, will define needs in terms of what the vendor currently offers. While improvements *may* be found, new ideas for new benefits and activities will be overlooked.

The best way to get new and fresh information is to initiate sessions that *proactively* ask customers about what they do and the *results* they need from doing what they do. Conversations along these lines will lead both the vendor and the customer to identify real problems that lead to real solutions.

2. **Customers successfully using a business' products and services doesn't mean they're successful.** This should drive businesses to look beyond how they presently help clients and inquire about how customers operate, their competitors, market pressures, what they do successfully and unsuccessfully, and the causes of any existing problems (just to name a few areas). Answers to these inquiries could point to improvements and innovations – benefits and activities that differentiate strategies from those prevalent in the market.
3. **Innovations and improvements in product, service, or capabilities should ultimately focus on helping customers meet their goals.** Businesses focus too much on how a product or service will help them succeed and not enough on how they can make their customers succeed in their markets or financially.
4. **Business success and growth comes with customer success and growth!** This rule is related to the two previous ones. Companies are in business because they sell more and more to *successful* customers and less and less to those who face hard to solve problems. It's worthwhile to help customers identify their issues and help them define and implement solutions. It's good business!
5. **The focus on competition should be on how they find "value" not the "value" itself.** It's more important to focus on *how* competitors – activities performed, processes followed, and skills used – find the right information that leads them to develop the benefits and activities that compel customers to buy from them.

In other words, if the competition is winning, it's because they find and develop what customers want better and faster than other market participants. Improving and innovating the *hows* will be more beneficial to developing the value improvements and innovations customers really need and want than improving on the competitors' "new features," which only leads to a game of competitive leapfrog.

6. **Ideas can come from anybody in the value chain. Involve them!** Business' partners, suppliers, and affiliates all have knowledge about customers. Use their knowledge, as well as all internal colleagues, to generate ideas for improving and adding proposition and execution ability value.
7. **When businesses set expectations about value performance, customer experiences have to, at least, match!** The perceptions businesses have about how their solutions should work are just that, perceptions. They have to be tested against expectations customers have about the solution's performance and then tracked to make sure the expectations are experienced.

Also, keep this in mind: the best experience a customer can have is getting positive results they don't expect and the worst one is getting the negative results they don't expect. Both need profound knowledge about customer required results.

Accepting these principles should drive management to develop skills, processes and tools – combined to structure disciplines – they need to generate a set of blended *activities* that combine data, information, and experience to form the knowledge needed to solve the targeted problems (as well as others). There are two groups of disciplines that need to be modified or developed to undertake the task.

The first one consists of the "normal" management interdependent activities, such as:

- Developing strategies and tactics (at each level in the organization).
- Managing budgets and other financial responsibilities.
- Hiring and managing people and all that goes with ensuring they can work effectively.
- Making decisions.
- Developing appropriate performance measures, implementing them and using the results to feedback any changes to operations or people.
- Communicating strategies and tactics to all appropriate enterprise entities – customers, suppliers, etc.
- Participating in and overseeing initiative planning activities.

Each of them needs to include any new or modified activities that reflect the principles mentioned above. For example: When developing strategies and tactics, start with the results that customers can expect from their successful execution. Or, start with the results customers need when designing jobs. Or, define measures that ensure organizational behavior is aligned with company principles, like those mentioned above.

Companies are now starting to embrace many of the disciplines in the second group. The resulting activities are essential for maintaining focus on the customer as well as the efficient and effective execution of, for example, project management and communication activities customers, partners and other contributors execute to locate and develop innovative improvements. These disciplines enable companies to manage:

- The *alignment* of organization strategies and activities, at all levels, with those of their customers.
- *Collaboration* between customers and other partners to develop solutions and form knowledge through the exchange of information and data.
- The *innovation process* used up and down the organization.
- *Integrating change management* into organization initiatives – innovations and improvements may include changes to, for example, how people operate or how they use their skills.
- “*Customer focus*” strategy development and implementation.
- *Business process* development and implementation, looking for ways to integrate the company’s with those of their customers, partners, suppliers and allies.
- The *empowerment process* that enables all organizational personnel to take customer focused action.

Businesses will help solve their “powerful customer” problems by mixing and integrating the disciplines from both groups to create activities that proactively use the *entire* customer “picture,” defined by the principles above, to determine future products and services.

Getting an organization to think differently isn’t easy. But management can begin to move their organizations and themselves to adopt different beliefs and principles by asking a few questions. For example:

- How can the business save time by knowing more about customers, even though the information may “seem” unrelated to products and services offered? How do they find the unique characteristics that matter most to customers? Customers want things on their terms. What are they and, more importantly, why?
- Does paying too much attention to the competition “blind” the business to the advantages customer knowledge brings to the table? What costs more, learning what a customer wants or losing the customer to a competitor?
- Which customers are “good?” How is the business “cultivating” good customers? Which ones are risky and why? Are the most profitable customers the most loyal, or are the most valued customers the most profitable? Strategy is usually thought of as “How do we beat the competition?” Isn’t it more important to say “How do we create customer loyalty?” Loyalty makes the competition (somewhat) moot.
- Do customers leave because of the solutions you provide, the problems they have or a combination of both? How much does it cost to figure out why customers leave? Isn’t it less costly to understand their issues in advance, keeping them from becoming “unsolvable?”

Customer knowledge is the power that drives the value needed for today’s customer focused economy. That’s why it’s important for the right beliefs, principles and management activities to be in place. Take the time to assess those that are presently being used and make the changes necessary to increase the chances customers are supplied with the unique value that helps keep management well rested.

* *The Seven Leadership Principles for Creating Customer Powered Value*
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