After Customer-Centricity Comes...?

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Authors note: *For those who know me as a staunch customer-centricity advocate, I'm not jumping ship...completely. But amidst customer changes not yet formally researched - but evident from my clients' customers, much peer input and my direct observations ("research by walking around") - I am seriously questioning customer-centricity's future. For example, many buyers today* avoid *forming relationships with sellers. They want to get in, transact, and get out effortlessly, with the least possible seller interaction. Responding effectively to the growing number of customers exhibiting this behavior is an uncomfortable fit with customer-centricity as practiced. One further note, I acknowledge presenting what might seem extreme case scenarios both for changes in customer behavior and for seller consequences. However, we may be headed towards extreme outcomes on both counts.*

Occasionally, new marketplace realizations and resulting strategic responses fundamentally change how we conduct business. If talk were action, growing awareness that for years we've been transitioning from sellers' markets to buyers' markets - with business easing towards customer-centricity in response[1] - would be one such game changer. However, despite movement towards customer-*centricity (along with we advocates gumming the concept half to death), market-wide response* remains spotty.

Adopting customer-centricity requires major reversals in corporate thinking, such as:

- Shifting from influencing customer behavior to improving customer experience
- Listening to what customers say they want instead of telling them what to buy
- Accepting that buyers are taking over the selling process to avoid seller influence
- Realizing that "company policy" is a four-letter word to customers
- Reacting to customers believing business has lost its moral compass

[1] Described in "What is Outside-In?; pages 3-4 (http://tinyurl.com/yag8tuv)

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These changes and others go down management throats like castor oil. In fact, the majority of the management community remains unconvinced customers could ever win the struggle to control buyer-seller relationships – even though they already have. Such denial makes many companies professing to become more customer-centric progress no further than throwing customers a few bones, assuming customers can be “bought off” that cheaply.

What is customer-centricity, (or what was it)?

Today’s dynamic buyer-seller relationships make defining business concepts involving customers a game of “pin the tail on the rabbit.” Every customer-related concept is a moving target. For example, what originally passed for customer-centricity back in the 1990s – know your customers better to better tailor sales and marketing approaches – morphed into balancing customer benefits with company benefits in the early 2000s – which morphed into giving customers the lead role in setting strategy and designing process late in the decade. And since the 2008 recession customer-centricity has encompassed CEM (customer experience management), which adds more focus on motivating, training and empowering employees.

But then the broad concept of customer-centricity stopped evolving, at least in practice (“experts” still don’t agree on a detailed definition). The common implementation-level model coalesced into a structure implementers could grab onto and follow. Theory aside, becoming a customer-centric company meant an amalgam of customer-driven business strategies, customer-aligned process, CEM, CRM (customer relationship management) technology - and a dollop of highly targeted marketing, often supported by marketing automation technology and marketing analytics.

But that was then. This is now. And unlike customer-centricity, customers keep evoloving – including Gen-Y, Gen-X and even Boomer customers.[2]

Boomers and most Gen-X customers grew up in a business environment of seller’s markets and seller mass merchandising. Gen-Ys came of buying age during the transition to *buyer’s* markets and buyer-initiated communication, including social media messaging critiquing products and companies. Despite their different roots, the changeover to seller’s markets and resulting customer empowerment are similarly influencing all three cohorts to become “activist customers” much harder for sellers to influence, manipulate and control.[3]

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[2] In efforts to be “simply definitive,” many authors writing about generational differences only describe one set of influences – early values. Here’s an extreme example: http://tinyurl.com/4uvdt8p. However, they omit two very important elements of growth and change. One is Harvard University psychologist Erik Erikson’s enduring description of developmental stages (often referred to as "life phases” or “life stages”). Because Erikson’s writing is so dense, here’s a more accessible description: http://tinyurl.com/bpyp4db. The other element, which is most germane to this article, is the influence of external economic and market conditions.
[3] “Activist” Gen-X and Boomer behaviors include dialed up social media critiquing of sellers, vocal pushback against anything that smacks of ageism and increasing demands that sellers share their social values.

Here's just a sampling of change factors influencing customer bahaviors across generational lines.

Continuing Customer Changes

1. *Customers are shedding the last vestiges of "herd mentality,"* the byproduct of mass marketing and mass merchandising that allowed marketers to create monolithic customer profiles – or at mimimum discrete segment profiles.
2. *Idiosyncratic behaviors and preferences, the opposite of "herd mentality," are resulting in unpredictability* - the bane of forecasters, marketers, customer service and even process designers.
3. *Customers making their own decisions, individually, opens up a proliferation of buying influences and behaviors,* frustrating attempts to find commonality across customers.
4. *Customer cynicism continues building,* with buyers cutting sellers little to no slack when something misfires. Rising cynicism also lowers the credibility of brand promises and promotional claims.
5. *Customer civility has taken a huge hit,* exposing sellers to more frequent and fractious customer challenges to company policies and what companies consider "fair practices." Customers are resisting companies setting the rules.
6. *Social media feedback controlled by customers is undercutting the influence of brand and promotional communication,* reducing returns on promotional expenditures.
7. *Customers are breaking the pattern of sellers being the hunters and buyers the hunted,* bypassing seller sales processses designed to control and influence buyers. Obviously, the internet is driving this change, but so too is customer pushback against sellers' over-communication and unfounded claims.

All these customer changes are pushing companies to treat customers more respectfully. They're also suggesting companies treat customers individually, rather than taking a singular approach designed for the convenience of the company. Some companies are responding accordingly, or at least trying. But others are in denial, believing they need only put makeup on the face of business as usual to pacify buyers.

Customers are getting much better at determining whether or not companies are taking them seriously.

Challenges to key assumptions

Unfortunately for early customer-centrcity adopters, ongoing changes in customer behaviors are undercutting foundational assumptions supporting adoption.

Undercut Assumptions

1. *Assumption:* Customers are looking for win-win relationships with companies

   New reality: While sentimental "Main Street versus Walmart" customers will never disappear, most buyers want the best deal for themselves, without regard for seller welfare. "What can you do for me next?" is replacing "What have you done for me lately?" In buyer-seller relations, the past is no longer prologue.

2. *Assumption:* Most customers are willing to "play nice"

   New reality: More and more customers, even Boomers, are "going over to the dark side." Buyers are becoming more cynical, jaded, mistrustful and resentful of sellers – leaving them quick on the trigger when companies cross or fail them. With so much negativity in play, even wowing customers with great service doesn't necessarily carry through to the next interaction. Moreover, customer pushback is now expanding to include seller positions on social issues, a real powder keg.

3. *Assumption:* Sellers can accurately profile their customers

   New reality: Market segments are splintering into "universes of one," leading to increasingly idiosyncratic customer behaviors. That doesn't bode well for profiling, which even previously seldom met predictive expectations, except in the hands of the very best customer analysts/statisticians. Nonetheless, overuse of profiling will die hard, because so many customer-centricity advocates have built executional models around it.

4. *Assumption:* Buyers appreciate frequent seller contact

   New Reality: Here's another assumption that will die hard. Maintaining constant customer contact gives marketers work to do and their agencies a revenue source. But customers face such an immense volume of "buy, buy, buy" messaging, little of which they believe, they're pushing *all* of it away – even messages offering real value to them (which, admittedly, are few and far between).

Casting aside these undercut assumptions and rethinking company responses to seller behavior and attitudes from scratch, we get a fresh perspective on what may constitute best seller practices for buyer-seller interactions.

Baseline response to new customer realities

How should sellers respond when an increasing percentage of buyers make "unreasonable" demands? Many customer-centricity advocates espouse letting customers "have it their way." But that's unsustainable when customers keep wanting more and more. Others recommend ignoring these customers and selling only to "fair players." But that rips a big chunk out of market potential. Too many are crossing over to the "dark side" to duck conflict with buyers. Besides, attempting to identify these "bad"customers in advance would stump any statistical wizard. Avoiding confrontational customers is much easier said than done. Sellers will either have to figure out how to de-escalate customer anger and deal smartly with customer contentiousness – or learn how to "play defense" by not triggering negative customer behavior in the first place – or preferably, both.

Adding fuel to the fire, more and more buyers are developing "we-them" attitudes towards sellers. Ironically, that's occuring just as many sellers are finally trending towards more customer-centric business models, foresaking "we-them" in favor of finding middle ground with customers. Sellers are one dance step too late. "Buyer beware" is morphing into "Seller beware."

On the product side, customer-centricity theory includes trying to fully understand customers, which *should* lead to producing highly differentiated products. And customers are supposed to connect with these products emotionally or at least believe they have superior utility. That's the gospel according to customer-centricity. But the hurdles to achieving product/service differentiations and sustaining them are becoming difficult to impossible to clear.

Markets are already drowning in commodity products and services. Even "first class customer service" will soon become a commodity. As seller and product parity become the default state, competitive edges will dull. The strongest attraction tying buyers to sellers may well become *lack of negatives* - sellers playing perfect defense by not provoking customer upsets. Inconveniently for organizational accountability assignments, relying on playing defense pushes accountability for the customer experience away from marketing and sales and further in the direction of quality control and operations management functions, including customer service.

To be successful, sellers will need to become obvious and reflexive customer choices. Provoking buyers into considering other options (which will require less and less provocation) should be avoided at all costs – as should "surprises" during interactions. The concept of sellers creating the strongest possible customer loyalty by making a mistake, followed by a spectacular recovery, must yield to new realities.[4]

Mapping a more detailed customer course

Companies can cope with new customer behaviors *if* they realize they have no choice (other than becoming a customer whipping-post) - and *if* they're ready to accept the consequences of change. But these are two choke-size pills to swallow.

[4] In his research on customer loyalty conducted in the early 1980s, my late friend and colleague Ron Zemke discovered that a seller blunder followed by a spectacular recovery produced greater customer loyalty than unbroken good service. No one I know of has repeated Ron's research, at least not recently. But growing buyer cynicism and mistrust would almost certainly produce a contrary set of findings. Customers are far harder on sellers today than in the early 1980s.

Ways to Cope with New Customer Behaviors

1. *Minimize the volume of customer complaints:* Few buyers start out overtly hostile or contentious. From a base of mistrust, they flare up following perceived seller screw-ups. Then, rather than just mumble unkind words about the offending company under their breath, or to family and friends, they go on social media and blab their heads off.
2. *Shift promotional resources over to operations:* While branding and other promotional communication won't evaporate, product quality and service delivery will become the dominant selection influences on customers.
3. *Streamline seller organizations: A*ll customers appreciate faster cycle times and pricing flexibility produced by streamlining work. The best streamlining tool (and customer quality improvement tool, as well) is redesigning process from points of customer contact inward – a.k.a. "outside-in" process design.
4. *Present as much information as possible online:* Asking customers to contact the seller or visit a store for information is becoming tantamount to saying, "shop elsewhere." Sellers may regard withholding key information as good sales process. However, buyers view it as inconvenient, irritating and even manipulative. Customers want to evaluate sellers and products anonymously, and then interact with only sellers that interest them. Sellers attempting to interject themselves into this process will often turn customers away.
5. *Clearly differentiate web and retail shopping options:* Focus retail on "product + service" offerings the web can't support. Limiting the role of retail will tilt the balance of retail/web sales towards the web, resulting in lots of empty storefronts. Nevertheless, limiting retail sales to "service required," "need it now," "need to try it on" and "impractical to ship" products tracks with where customers are already headed. And Gen-Ys can find alternatives to malls as social gathering places.
6. *Deal with differing sets of buyer expectations differently:* React to customers as they are. Some customers will continue "playing nice." More will take every advantage they can get. Others will fall in between. Sellers will need multiple strategies and processes they can invoke reactively and circumstantially.
7. *Play it straight with customers:* Customers see rampant "cheating" – banks deceiving customers, pharma lying to the FDA, carmakers hiding defects, food producers skipping safety checks, retailers violating labor laws, false advertising galore. Buyers are responding with their feet (or their keyboards), plus mounting boycotts, staging protests and taking other retaliatory measures. Sellers caught in customer cross hairs for real or perceived transgressions will lose business and customer loyalty.

Organizational consequences

Unfortunately, companies willing to change their stripes in response to customers changing theirs will encounter the inherent risks of organizational realignment. Adopting new models for interacting with customers creates winners and losers among functions and individuals, including some powerful individuals accustomed to getting their way. Some functions will feel their silo walls are under siege. They'll fight like hell to protect their castles. Some executives and managers will perceive threats to their status. The less corporate-minded will scheme like hell to protect their positions. Overall, "my function" and "my job" will continue outweighing "my customer" for managers and staffs – as long as top management permits. But changing organizationally to enable aligning with customers will not be optional. Top management will have to enter the fray, or change will fail.

Losers

Marketing will take it in the shorts. With so much information available to buyers online - including social media critiques - customers are ignoring promotional messages, whether broadcast or addressable. When they need something, they find it first on the web, then evaluate options – anonymously. Sellers will have to sit and wait, while presenting sufficient information for customers to establish buying preferences without seller "guidance." That's future marketing – reactive instead of proactive, more informational than promotional. This shift will obviate functions and roles in advertising agencies, marketing management, media agencies, in-house copywriting[5] and art direction, direct marketing, media research, and on and on. More collateral damage than the eye can see.

Sales won't come off too swell, either. With customers now the hunters and sellers "the hunted," B2B sales prospecting will diminish in importance – as will sales account managers charged with bringing not yet qualified suspects through the sales funnel. Most buyers will not want to appear on the radar screen until *they've* qualified the seller and product, rather than sellers qualifying them, and are close to vendor selection or vendor proposals. Many companies will rub their hands with glee at the thought of cutting sales expense, but they shouldn't. Buyers will suck right off the table all excess margins created by lower sales costs.

Supervisory functions will do less supervising. Empowering both customer-facing staff and back office workers can eliminate entire layers of supervision. In customer service, collapsing layers will radically increase the number of "one call resolutions," which will lower both process costs and labor requirements, while satisfying at least some customers.

Product management will hopefully disappear. Charging PMs with boosting individual product/service line sales, is usually counter-productive – especially when they engage in

[5] Demand for editorial writing, which develops emarketing offers, will increase.

persuading customers to favor their product line over another company line that suits customers better. From a customer value perspective, the product manager role should have disappeared long ago. Failure to rationalize corporate organizations against "Is this position creating customer value?" criteria has kept product management on many org charts.

Offshore customer support providers and the companies outsourcing to them stand at considerable risk. Service-offshoring companies lacking the market dominance of a Microsoft or Intuit will lose customers to on-shoring competitors, especially when customer service becomes a more frequent topic of social media commentary. While "India" has become a four-letter word for customers needing support, other countries typically do an equally bad job (with an exception for Eastern European providers, which seem to offer better communication and better trained agents – along with a myriad of scams).

Winners

Customer service will become more than an entry-level position, at least in customer-smart companies. Service delivery will have to ratchet up a notch or ten. Representatives will need much better training and much more empowerment to avoid further irritating customers already expecting poor service. Customer tolerance of service agents unable to converse fluently in the callers' language – and even then not knowing what they're talking about – will end – making offshoring service an even bigger contributor to customer churn.

Process and quality functions will play a critical role. Six Sigma, Lean and variants have established their worth both in production and in high frequency, high repetition non-production environments, including healthcare. However, the primary process opportunity will be improving process in the relatively low frequency, low repetition front and back offices, where so many customer-affecting errors originate. Using new process approaches specifically designed for variable work settings will make dramatic improvements to office operations.[6]

IT departments can contribute greatly – if they can refrain from adopting technology for technology's sake. IT communication with the business side will have to improve, and when it does, IT will become much more valuable to the organization.[7]

Application software providers will have expanded opportunities to enable redesigned office process. Together, process and technology will help companies achieve levels of quality that will help neutralize buyer-seller tensions. A caveat here is technology sellers must finally accept process defining technology requirements, rather than process following technology.

[6] Further explanation at: http://tinyurl.com/cq8b7er

[7] IT has to learn to speak "business" and business has to learn to speak to IT in process terms (http://tinyurl.com/2ddwagq)

All parties (including technology buyers) should understand by now that technology implementations *not* preceded by process design routinely bomb.[8]

Editorial writers will become front line information providers to customers evaluating products and services, but uninterested in sifting through sales hype. Articles, research papers and white papers, when well done, are among the few marketing offers B2B customers continue to value.

SEO (search engine optimization) specialists are becoming as important in driving web traffic as advertising agencies and creative staffs are to driving store traffic. But with fewer stores serving a more limited purpose, web traffic will far outweigh store traffic in importance, plus the web will generate an increasing percentage of what store traffic remains.

Could go either way

HR departments will largely determine their own fate – or may have already, by defining their capabilities widely or narrowly. Departments with organizational design and/or change leadership skills can provide invaluable support for staying in sync organizationally with customers. Some of the changes involved – especially diminution of marketing and sales roles – will displace both managers and staffs, which won't go down easily. HR, which has no skin in the game organizationally, can provide function-neutral leadership and meeting facilitation. And HR executives with organizational design skill sets should be candidates for leadership of change initiatives.

On the flip side, companies will expect even narrow cast HR departments to contribute to recruiting new employees with different skill sets than departing employees. And then, of course, there's outplacement…

It will be a good time for HR departments to show they're ready to step up to the plate.

Can companies keep pace with customers?

Ironically, after years of focus on customer-centricity, the gap between how companies work and how customers want them to work continues growing. For evidence, we don't have to look further than social media, which has become the favorite channel for customers venting about sellers. Not only is the volume of complaints rising, but the temperature's rising as well. Overall, customers and companies are falling out of (instead of into) alignment.

To start closing the gaps, sellers will have to run a gauntlet. Shifting investment and significant responsibility for customer relations from marketing and sales to the web and

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[8] The fact that this outcome remains so common is either tragic or comical (http://tinyurl.com/cdjkn8a)

operations will be more than a food fight in many companies. Blood may spill. Accepting the greatly increased emphasis on metrics that will accompany a much stronger operations focus will be problematic for many intuitive managers and staff. Many executives sitting over functions diminished in importance will obstruct with every ounce of their political power. And that's just the internal strife.

The public and government both will castigate companies for the ever-growing number of closed retail outlets, not to mention the warehouses formerly supporting these defunct stores, and even the lost trucking jobs supplying the warehouses. Some retail sectors will lose critical mass and fold completely.

But worst of all will be unemployment. Labor requirements now distributed geographically by retail will consolidate around fulfillment centers. And even if the total number of jobs doesn't take a hit, a big if, imbalances between the supply and demand of many skill sets will raise the misery index.

Not a pretty picture, but you want to see that freight train coming in time to get up off the tracks.

What will be left of customer-centricity – and will it still matter?

Actually, as long as a sizeable portion of the customer base continues to "pay nice," tactics developed within the context of customer-centricity will continue seeing widespread use. However, customer-centricity will be *one* way of interacting with customers – not *the* way as advocates have always hoped. And the more buyers try insulating themselves from sellers, a train that's definitely left the station, the smaller role customer-centric business practices will play.

Rather a quiet winding down of a "movement" that created high hopes, lots of noise, and at least some action. However, time marches on…as do customers.