The Customer-Connected Company and the Role of E-Technology in Making It Happen

A revolution is underway in corporations, and it’s not simply the advent of e-technology. Companies realize that becoming customer-centric is requisite to achieving future success. While most companies stress showing profit year after year, they don’t place sufficient emphasis on making customers the focal point of the enterprise; they have paid dearly for this oversight. E-technology alone can’t remedy the problem. Only a commitment to a new way of dealing with customers, to using a different business model, and to fundamentally transforming the way enterprises think and behave, can set companies back on course. Only then can the power of e-technology be unleashed and permitted to reach its full potential.

Achieving Customer "Lock-On"
The object of any customer-connected strategy is to get customer "lock-on;" that’s where customers choose the firm or institution as their dominant or sole choice on an ongoing basis. This differs from the days when customers would flit from supplier to supplier, always seeking the best deal, which typically meant the lowest price (though not the best long-term result), because most corporations were doing the same thing and treating customers as one undifferentiated mass, which meant that they had to pay the huge costs of customer replacement.

The Benefits of Customer "Lock-On"
When customers are “locked on,” they do business with companies in ways different from in the past, and this happens on an ongoing basis because they have good and sufficient reason to do so. In return the enterprise gets:

- Longevity of customer spend - even over a lifetime
- Depth of customer spend - a greater share of their total wallet
- Breadth of spend - opportunities to sell value-add products and services
- Diversity of spend - brand stretch into new areas at low or no acquisition costs
- Joint investments and risk taking - accelerating and facilitating innovation
- Opportunities for high-ground relationships - having influence early on in customer decision-making processes
- Resource sharing - avoiding duplications, waste and cost
- Knowledge and information sharing - adding value to the relationship and the offering
- All of this at a lower cost - of acquisition and transaction

That describes something very different from the commonly accepted view of retention or loyalty that has produced plastic loyalty cards, club cards, frequent flier programs, and promotion and payment methods. These are all easy to imitate and attack and are based on bringing customers back for repeat, discrete transactions of the same core items. These transactions, obviously, augment market share in product/market categories to meet sales quotas usu-
ally based on price, or those intended to collect data without really changing the nature of the relationship.

And note that customer "lock-on" is very different from the "lock-in" that traditional management dreamed about, or legislators feared, where customers had no choice because there was only one supplier who had a monopoly as long as that particular technology wave lasted. Or customers were "locked-in" because the switching costs of moving from one system to another more desirable system were too high. Or "lock-in" where customers were captive yet disenchanted by the way they were being dealt with - but everyone in that industry operated that way, so there was no other choice.

Customer "lock-on" occurs when customers seek to do business with the corporation because they are getting the results they want. The corporation knows more about that customer and its needs than anyone else and, what is more, it uses this knowledge to produce superior offerings at low delivered cost. Additionally, relationships are dynamic in that offerings move with customers, be they personal or corporate, as they grow, develop and change throughout their lives and circumstances. Hence the customer, rather than the product or technology, becomes the barrier to competitive entry. This is a feat impossible to achieve with old business models because the products and services and their pricing, distributing or promoting, no matter how well done, were all too easy to emulate and therefore, however good, not good enough.

Commitment to Fundamental Transformation

Customer-connected companies know that customers can’t necessarily express what they want because they haven’t experienced it yet. They therefore realize that it is vital to have the ability to anticipate rather than react. Instead of inventing new technology for its own sake, the customer-connected company originates for customers. It is able to detect future changes before they happen; when they do occur, it understands and makes sense of them - opportunities are being created - before anyone else does.

Time, money and effort are spent on forging new ideas and turning them into opportunities that bring customers - both existing and new - better and better results. These new opportunities are discovered by looking beyond improving existing ideas, products and services in order to create "new ways of doing things."

“New Ways of Doing Things”

The distinction between improving existing products and services (or "things") and "new ways of doing things" is important: the former can never get results to customers, without which no real "lock-on" can take place, whereas the latter can. This is why the revolutions we see today are not just about core items with an edge - the loans, the books, the cars, the medical supplies, the insurance policies, and the newspapers. They are about Amazon’s new ways for customers to discover information and knowledge, or Ford’s new ways for customers to manage their automotive activities, or Baxter’s new ways for customers to preserve and prolong their health and well being, or Direct Line’s new ways for customers to cover and manage their auto risks, or the Financial Times’ move to change the way global commercial and financial customers make business decisions.

Driven by the challenges and opportunities of an immaterial world, information and knowledge rich and linked globally by customers exactly what they want, so encouraging them to come back again and again. This means building obsolescence into current ways of thinking and doing business. Even their own: winning at the new book battle will mean going for innovations that could make obsolete the online buying and selling of reading material that helped Amazon metamorphose the industry. In its place are fast-coming direct, online receipt and delivery of books, information and documents downloaded on demand from the Internet to a PC, or delivered to a specially designed digital reader, a pocket-sized reading instrument.

Switching Perspective

The customer-connected company switches perspective from products to customers in a profound way. It recognizes that a product diminishes in value over time (see Figure 1a), as invariably competitors soon offer the same "thing," but better, cheaper, quicker. In contrast, the value of customers cumulatively increases in value over time once they are "locked on" (see Figure 1b).

However, this increase in value can only be achieved if strategies change to incorporate the following key principles:

- Moving from market share to market spaces
- Providing an integrated brand experience across product, company, industry and geography
- Going from markets to person-focused, individualized offerings
• Building a fully networked community of linked providers
• Leveraging from intangible resources
• Using e-technology as the facilitator

Let’s go through each one of these in more detail to see what these principles entail and how they are being put into practice.

**Moving from Market Share to Market Spaces**

To make the switch from getting value from products early on, before competition sets in, to investing in customer “lock-on” – with its multiple and cumulative benefits – companies, established and new alike, have to be willing to redefine themselves outside of traditional industry classifications and create whole new markets, rather than just taking share from already existing product and service categories.

Maintaining a belief in the value of market share of product and service categories within an industry was (and still is) seriously dangerous because it hides, rather than reveals, the real opportunities for new breakthroughs. Ask yourself this: Had the telephone companies of yesteryear thought in terms of mobile communications, virtual office management, or any other relevant name they had chosen to give to the market space that was clearly emerging as the new way for people to communicate, would they have allowed Nokia – a then obscure paper-processing mill and rubber plant nestled on the Nokia river in Finland – to take a hold on their market and become the number one choice for cellular mobile phone technology? A Nokia that today talks about having an Internet in everyone’s pocket? No way.

Market share also masks the still emerging – yet ever so real – competition. In the 1980s and early 1990s, Xerox’s market share in copiers looked good. But while Xerox was telling its customers to “make one and photocopy the rest,” Hewlett-Packard was saying “forget copiers – make as many as you want with our printers.” Ask IBM today who its greatest competitors are and it will say that they aren’t the traditional hardware manufacturers, but rather Andersen Consulting, or the software houses. Such new competitors provide services to customers during critical parts of their decision-making, and long before machines are specified, tenders go out, or the core items are bought.

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In the same way, banks in the UK are today experiencing some of their greatest competition from non-banks, such as the supermarket chain Tesco, or the Virgin Group of companies. These two very different players now intend to sell cars via their Web sites, and Virgin plans to let its customers ask providers across Europe to bid for their business. Similarly, in the business-to-business arena consultants are stretching into many non-traditional consulting activities like procurement, where for instance they find new ways for customers to buy, bid and participate in online auctions for goods, in the process saving huge amounts of time and money. Or take Bain Capital, who through its reputation in consulting is taking the gap between those who can afford to get $100,000 for doing business in the new millennium that is dynamic instead of discrete, as was the case with product or service categories. Compare, for example, cars versus personal mobility, loans versus lifelong event cash managing, personal computers versus global networking capability, dialysis bags versus renal sufficiency management. The market spaces become the new broader playing fields or “activity arenas” in which the new enterprise competes and where the real cornucopia for adding customer value lies.

**Linking the Benefits**

The customer-connected enterprise shifts away from focusing on classic product/service categories and making and selling more “things” so as to grow market share, and instead concentrates on articulating new, dynamic “market spaces.” Market spaces encapsulate the linked benefits that bring about the results that customers want. Most experts talk about “evidence-based medicine” (choice of drugs based on more facts) as the future, but this is still a product approach. The future is about managing wellness, not illness, in the well-being and extended life management market space. Then the emphasis shifts, of course, from the diagnosis and cure era of making more and more core items, to services that predict and prevent disease, to finally preserving

**Taking the Fully Integrated View**

A market spaces approach takes a fully integrated view of the customer and cuts across traditional product and industry boundaries, or whatever else may be legally, technically or organizationally separate,
for whatever reason. Only when Xerox went from copiers to the market space it called document management was its top management able to recast the company and begin truly to transform the business, pulling together the various disparate products and services within and without the company. The same can be said of IBM, now good and solid in the thick of the global electronic networking capability market space and working with partners in a variety of industries.

Articulating the market space is the first step in a series of moves on the journey to becoming a customer-connected company and getting customer “lock-on.” And the modern enterprise needs this lock-on from increasing numbers of customers because otherwise it risks locking itself out.

So the first question the customer-connected company asks is: What is/are the market space(s) we want to operate in and dominate?

By dominating activities that provide superior value for customers at low delivered cost, the customer-connected company is able to leverage from the ever-expanding vistas being opened up in new market spaces. Part of the initial success of Amazon came from the fact that Jeff Bezos didn’t just concentrate on selling books, but instead envisioned the total information and knowledge discovery market space. Around this market space his entire “literary stock market” strategy was built, from which sales and cash flow are continually increasing and then ploughed back into new investments, so allowing Amazon, like many others, to confound traditional logic and achieve diversity of spend by stretching the brand into a variety of other market spaces.

**Providing an Integrated Brand Experience Across Product, Company, Industry and Geography**

Once the market space is articulated, the customer-connected company sets out to become indispensable in getting the linked benefits to customers in their chosen market spaces. This can only be accomplished by delivering a totally integrated experience – which the old business model could seldom, if ever, achieve. Because it pushed more and more discrete products or services through the linear system, it could never produce the required linked benefits, no matter how good the individual products or services were. Consequently, there were interruptions at critical points in the customer’s overall experience and huge value gaps were created. This is why so many new entrants have come on to the scene that established vital connections with customers, finding the means to do more business with them in a different way.

**Filling Value Gaps**

Compare the old IBM with the new and you have a classic case. Having confined its thinking and strategy to core items like personal computers and mainframes, IBM initially missed the broader market space – global networking capability. So in the 1980s its biggest competitors became service companies, new entrants who filled the value gaps and got into powerful positions. Today, IBM and its partners offer all activities at every point in the customer activity cycle in order to link benefits for them, rather than just providing the core items that customers can get from any other supplier. And that is why IBM is now getting the benefits of customer “lock-on.”

The customer activity cycle is a methodological tool that gives structure to the process of deciding on the value adds needed to link benefits in market spaces. In so doing, it seeks to provide customers with one integrated experience, vital for achieving customer “lock-on.” The methodology involves looking at the various activities that customers go through (or could/should go through) to get the results that they want in a market space or sub-market space. The model consists of three stages: “pre” the experience, when the customer is deciding what to do to get the result; during the experience, when the customer is doing it; and “post” the experience, when the customer is maintaining the result or keeping it going – reviewing, extending, upgrading and updating.

The customer-connected company builds its strategy around the following questions:

- What are the critical activities that customers go through, pre, during and post experience, to get the results they want in our chosen market space(s)?
- What opportunities for adding value at each critical point – pre, during, and post experience – will make up our new product and service portfolio by filling old gaps or finding and filling new gaps?

Manufacturers and dealers in the automobile industry are finally seeking to extricate themselves from a 15-year downward spiral, the ultimate result of a continual battle to steal market share from each other. Attention has shifted from “motorizing” to “mobility” in the market space now known as personal mobility. The need is especially urgent given the influx of new and unexpected entrants. One such entrant was Auto-by-Tel, which came on to the scene and screen in the early 1990s and succeeded not only by offering customers any car they wanted, from the closest local dealers, at the cheapest price, but also a set of other services, from insurance to financing.

Another new entrant was the telephone-based insurance company Direct Line, which entered this market space to offer quick and complete repair services when cars broke down, not just motor insurance like everyone else. The company further locked on customers by issuing credit cards (at a low interest rate with a long interest-free period and no annual fee) via phone or Internet, so that customers didn’t have to go through the time-consuming and cumbersome process of filling out, posting and then waiting for forms to be processed. Given these inroads made by new entrants, and statistics showing that 40 percent of American buyers and increasing numbers in Europe do research on the Web before purchasing their new cars, Ford and other long-standing companies have had to make radical shifts to become customer connected and compete effectively.

Ford’s new strategy is to lock on customers by providing a fully integrated offering, online, through the various stages of the customer’s activity cycle, pre, during and post – not just for the Ford brand, but also
across its family of brands, including Aston Martin, Jaguar, Volvo, Lincoln, Mercury and Mazda. Customers can see what car model local dealers have in stock instead of having to walk around and ask, and get the vehicles delivered to their homes for a test drive. For a used car Ford anticipates letting customers track ownership use and service records to make their assessment. Or buyers can construct the new vehicle of their choice, request quotes from a local dealer, and get insurance and financing. Maintenance schedules can be accessed and they can book a service from their dealer, pay automatically, contact call centres for help, get cars for special occasions and special rental deals from Hertz if they want some other car. There is also a clearing house of franchised dealers who act as a 24-hour service in case of emergency breakdown.

Creating New Gaps
If we look at Richard Branson, he too has taken advantage of the value gaps pre-, during and post the customer experience across several industries so as to win customers over and lock them on. In travel management, Virgin has challenged the capacity-managing commodity algorithm of taking people from A to B by integrating both the customers’ transcontinental business and their personal travel experience. It began with “limo-bikes” that get customers to and from Heathrow Airport more quickly. Then the service extended to airports like London’s Heathrow, Boston’s Logan, New York’s JFK, Newark, and Washington’s Dulles International, where, in concert with limo companies, Virgin takes business-class passengers to the airport free of charge, checks them in and issues an invitation to the Clubhouse lounge en route. At a drive-in check-in specially designed for Virgin, a porter asks security questions, collects the luggage and issues customers with boarding passes. At the Clubhouse, passengers can take a shower to freshen up, have a free manicure and pedicure, facial and haircut, or take a hydrotherapy bath. The Lounge Games Rooms are equipped with bars, virtual skiing devices, communications centers, libraries, music rooms with jukeboxes, rooftop conservatories and Clubhouse cuisine. Recent in-flight additions include jacuzzis, showers, ship-style sleeper cabins, live TV and Internet-surfing possibilities to take the tedium out of long-haul journeys.

But Virgin also deliberately creates gaps: one idea for the future is to convert the aircraft into a flying hotel and restaurant by transforming part of the cargo hold into sleeping, leisure, eating and exercise areas. What Virgin is aiming for is to reduce the personal space allotted to business-class passengers during the take-off and landing part of their travel experience, and using the extra space created to give them new services, like restaurants and lounges so they can walk around and enjoy themselves during the flight.

Getting in Sooner, Staying in Longer
The customer-connected company gets in sooner and stays in longer across the customer activity cycle to get the full benefit of customer “lock-on.” Baxter Health is an example of a company displaying this way of thinking and behaving so as to excel in extending the life and well being of kidney sufferers (see Figure 2.0a for a simple diagram of the customer activity cycle of a renal patient). Like many mature companies, Baxter Renal was faced with increasing pressure to discount the company’s core items – in this case, the dialysis bags. Peter Leyland, newly appointed CEO, did this, but he quickly set about making up for the loss in margins from the bags by getting more customer spend for the Baxter therapy treatment. (See Figure 2.0b for a simple diagram on the

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value adds that Baxter introduced at each critical point in the activity cycle.)

At the pre stage, getting customers diagnosed earlier and moving more swiftly through new ways to identify symptoms and early referral became a priority, as the sooner patients are diagnosed the greater their chances of going on to the Baxter

therapy (PD), which can be done at home whereas the competitors’ therapy (HD) must be done in hospital. Since GPs have tended not to focus on renal ailments, given the relatively low percentage of people in the general population afflicted by them, many sufferers are not identified and misdiagnosis is also a common occurrence. Baxter has introduced research-based education and awareness programmes to GPs to improve the diagnosis rate. Knowing from its research what happens once patients reach the choice of treatment stage of the activity cycle – which can only happen if they are diagnosed early enough (otherwise they must go on to the competitive treatment, HD) – Baxter introduced the notion of Treatment Option Educators (TOES) located in the pre-dialysis clinics. People tend to make a quick decision to go to a hospital rather than have the treatment at home if they have not had enough time to think about how they will manage the social aspects of their changed lives. The TOES take them through the options and prepare them not just emotionally but with all the information they need, including on economic issues such as the benefits to which they are entitled. Videos help the
patients see the realities of the alternative treatments. Investment in training centres for patients before they commence treatment ensures that renal bags are used more effectively, so allowing better and longer-term results with PD.

In the during phase, Baxter assists with the organization of supplies to patients’ homes, through its Unicare Direct service, as well as when they go away on holiday. Patient progress is monitored on a regular basis. This includes a team of “mobile nurses” who take blood tests and urine samples in the patient’s home, and doctors who are able to adjust prescriptions remotely via machines placed directly in doctors who are able to adjust prescriptions remotely via machines placed directly in the patient’s home, and doctors who are able to adjust prescriptions remotely via machines placed directly in customers’ homes. Additionally, throughout the during stage of the treatment there are emergency 24-hour clinical and technical helpline services.

In 1998, UK management took a decision to go into the HD treatment that had always been regarded as competitive, so stretching the Baxter brand into the treatment that patients have post Baxter therapy. So rather than patients being on PD in their homes and then having to go to hospital for HD, they can now get both treatments at home as part of one total, integrated care experience. Baxter also decided to add diabetic, hypertension and cardiac drugs – in the same market space as seen from the customer’s point of view – because many renal sufferers typically need such associated drugs. Post dialysis, huge investments have been made in transplants. These developments are all in the interest of providing one integrated experience and outcome to patients, and thus connect customers to Baxter over an entire 30-year period, with all the obvious benefits.

**Going from Markets to Person-Focused, Individualized Offerings**

Personalization is not about averages; it is about handling customers differently to suit their unique needs. There is no longer an average customer "out there." No customer fits one single market or segment any more, nor can one product satisfy the diversity, let alone the longevity, of an individual customer’s life. It is individuals, each with their own set of preferences, whom the customer-connected enterprise targets. It is they who form the installed customer base – those people who want the firm or institution as their dominant or sole choice on an ongoing basis.

**Becoming Proactive through Personalization**

Personalization strengthens both the bonding that enables the corporation to be proactive and the value-add products and services that go to make up the new portfolio more precise. And this is what gets customers to "lock on," making it very difficult for others to gain access to these customers, no matter how compelling their offerings may be.

So the next question is this:

- How do we individualize our offerings to suit the unique needs of each customer?

Through its home care service, Baxter establishes a vital connection to patients whom it would otherwise not be able to see. The emphasis is on individual relationships, taking the needs of each person into account. The patient is called once a week or more, depending on their needs, by the same person they first got to know. The driver – the person they see most often – becomes their “best friend,” someone on whom they can learn to rely, which is what a renal patient requires most of all, so they can know that their dialysis bags will arrive...
when they need them. Customers’ keys are kept in a special safe so that drivers can enter a patient’s home without disturbing them or requiring them to be at home to receive a delivery. The driver sets up the machines, prepares the solutions, and does the carrying, storing, stacking and disposing of packaging, as well as helping with uncomplicated problems and installations. Stock is separated and rotated to avoid wastage for the hospital and placed in the home wherever it is most convenient for the patient.

The customer-connected company adapts its offerings depending on individual preferences (which are allowed to change), instead of expecting people to adjust to their policies and procedures. Direct Line thrives on this as a matter of policy. Determined to move away from the stereotypical high-pressure selling of insurance, and to avoid making the customer feel captive or the subject of a sales pitch, its emphasis is on giving individuals enough information so that they can make their own choice. After the first call, customers are sent a pack, phoned to make sure it has arrived and encouraged to ask questions if they have any, instead of having to study the fine print on the document.

Acting on Intelligence
Personalization is not just about accumulating intelligence on individual customers (or selling it so that others can sell yet more core items to them), but acting on it to deliver a better integrated result. Total knowledge of a person – getting to know them better and better – is what gives the customer-connected company the edge and ability to lock customers on. Amazon made knowing who was buying its books a priority. In this way, it took advantage of the fact that no one – neither publisher nor bookstore – in the traditional linear chain knew anything about end users.

Said Jeff Bezos, “We know 2 percent today of what we will know 10 years from now, and most of that learning is going to revolve around personalization – the notion of making a (cyber) store ideal for a particular customer, not for a mythic average customer.”

With a vast database of customer preferences and buying patterns from its e-mail and postal address system, Amazon can leverage from the ability to “remember” people and treat them as individuals. Returning customers are greeted by name and offered a list of recommended titles based on the books they have already bought. When customers look up a book on the Amazon site, they are told of two or three different titles purchased by other people who have bought the same book. They are signed up through a personal notification service, called “Eyes,” which means that they can indicate what kinds of book – either in terms of subjects or authors – they like to read. They receive regular e-mails with reviews of what Amazon’s editors consider “exceptional” books in these categories.

Continuous innovation ensures that offerings remain relevant as customers (or the technology) change or develop. With Amazon, customers can click in and add to or change their profile at any time, and their files are updated daily, to see what they buy, for whom, and what else they have become interested in. Personalization also involves anticipating what the customer may want. Bezos and his team are now working on building systems that can help individual customers who do not know exactly what they want to find the book that may ‘change the world for them’.

Personalization Versus Mass Customisation
Providing integrated offerings is very different from providing mass customized products, because it involves everything that goes into the customer experience. It requires personalizing the:

• Content (what the customer gets)
• Context (the way they receive it)
• Contact (how they are handled).

For example, Peapod, a leading U.S. grocery cyberstore, decided that it would find compelling new ways for busy, time-pressed people to manage their daily chores and home supply needs. Going beyond conventional marketing notions of home delivery, alternate channels, electronic mail ordering, Supply Chain Management, promotion or delivering products currently in stock (what most European retailers still do), Peapod provides shoppers with a virtual supermarket on their screens, organized by any category they want. This virtual supermarket can be laid out in aisles, much as in regular stores, or according to the customer’s own arrangement, merchandised to accommodate what they like and are interested in. Alternatively, their cyber supermarket can be arranged by specific product category or brand, alphabetically by brand, by price or by specials and promotions. Customers can also shop according to nutritional requirements, such as how much fat, calories, sodium or cholesterol there is in products, with shopping baskets automatically tallying up the customer’s set quota.

Expert surrogate shoppers act in the stores for the customers, with specific directions on what to look for, choose and buy in the case of perishables such as vegetables, cuts of meat, and so on. Comments such as preferences can be added to orders, for instance “I only like ripe tomatoes,” or substitutes in case an item is out of stock. Individuals receive menu-planning assistance and, when a recipe is selected, all the ingredients are automatically placed in the virtual shopping cart unless otherwise directed. Goods are delivered to customers around the clock, at a time convenient to them, with coupons accepted by drivers on delivery and help given with special needs like carrying or storing.

Building a Fully Networked Community of Linked Providers
Having defined the portfolio of value adds that go to produce the fully integrated personalized offering, the next questions the customer-connected company asks is:

• Who is the best contributor for each of these value-add products or services?
• Do we have the products/services/capabilities in-house? Do we build them, or do we find partners?

The various contributors are put together in one collaborative and synergistic network to deliver the ongoing design, delivery and
support needed at each critical point in the customer activity cycle. This becomes the locus around which all decisions on mergers, acquisitions, diversification alliances, and working arrangements hinge. Ford in Europe paid £1 billion to acquire Kwik-Fit, a rapidly growing repair service, in order to get into the post activities of the customer activity cycle, which are the most profitable years. It was also the first vehicle manufacturer to take an equity stake in an automotive site, carclub.com, which provides information and services on all makes of cars, not just Ford’s, so that the customer can make comparisons. Through Ford’s acquisition of Hertz, customers can rent a car if what they have is not suitable for a particular occasion. FordUnlimited enables customers to get from one place to another without having to own a vehicle. And Think, a Nordic concern, is an electronic vehicle company for pool sharing.

### The End of Silos
Participating networked providers may be from within the organization, working in product or service factories or centres of excellence, or from outside. They may be large, multifaceted corporations on which the customer-connected company draws, or small businesses with highly specialized skills. They may be in permanent units or divisions or in virtual teams who coalesce only for a specific activity when and where needed. Either way, the object is jointly to produce superior results for customers in the chosen market space(s) in one integrated experience. And, due to the sharing of resources, infrastructure and knowledge and the consequent reductions in waste and duplications, it pulls costs down as well.

Separations and silos were the hallmark of the past, so that products and services, units and divisions, countries, companies and industries could be counted, held accountable and compared. This approach has little benefit for customers, who don’t really care how a company is structured, who belongs to what industry, or who owns whom – as long as they get the results they are after. The customer-connected company deliberately stretches across products or service divisions, units, companies, countries and industries. Direct Line, for example, wants customers to call it when they have an accident for reasons other than just to make a claim. In this way, it becomes indispensable to customers when and where those customers need it on their activity cycle, at a breakdown or accident, and it makes itself present and visible to handle all the problems, and opportunities, arising. Its repair centre consists of 140 shops, a set of independent players all integrated under the Direct Line brand.

The customer calls Direct Line when they have a problem, the car (and customer) is picked up, fixed, returned and automatically charged to their bank or card. Claims are made to the insurer by phone. Direct Line has set standards – common, consistent and acceptable service levels – to ensure that all players in the customer activity cycle work as one. These incorporate a 24-hour recovery service, 24-hour collection and delivery to and from the customer’s home, contacting the customer within 30 minutes of a call for help, and recovering the stranded vehicle within an hour.

Drawing in other players has the added advantage of accelerating critical mass as new ways of doing things become more prevalent and the standard is generally adopted rather than being a niche activity out on a limb. For instance, Amazon could never have become the new standard without providers, publishers, wholesalers, transport companies, couriers, other Web sites, portals and post offices, drawn together in one integrated experience from which everyone has benefited multifold.

### Creating Win-Win
In the old business model, based on products and the maximization of margins, someone down the chain had to lose for someone else to gain. This is not the case with the customer-connected company. On the contrary, the whole basis for partnering is to create new ways of doing things and sharing in the new wealth by ensuring a win-win for all contributing players.

The object of the new Ford strategy is to build a virtual community of customers with whom dealer relations are strengthened, in order to help customers access and get services more quickly and easily, as well as boosting dealer sales. How patients win is obvious in the Baxter case, shifting as it has from selling dialysis bags to providing more survival time and prospects for a better lifestyle and more productivity. The hospitals gain because budgets are met and costs go down as resources are freed up. The authorities gain, as do clinicians and doctors, by virtue of better patient care, enhanced resource utilization, and improved management of the population’s health. The cumulative value of the customer to the corporation is equally obvious – Baxter gets value from the know-how, longer-term commitments, reduced costs of doing business with hospitals, and accelerated market acceptance of new ideas and offerings. This provides a greater share of wallet for PD therapy – and more bags are sold.

### Partnering with Competitors
Customer-connected companies recognize that they can’t do everything on their own. They have to work with others to produce customer value. One of the lessons of the past is that companies that kept their technology proprietary confined growth for everyone, including themselves.

Early on, Bezos pioneered the concept of an “Associates” program. He instinctively knew about networking effects and that the value of an infrastructure increases exponentially as more members who produce customer value join in. And that meant more – for everyone, including customers. The objective was to get as many as possible to join the Amazon network (by the end of 1999, the number of Associates had grown to a quarter of a million). That way, customers could find exactly what they wanted, irrespective of its location on the Web, and get to that site quickly and seamlessly at the click of an icon.

For example, for readers interested in cooking, Amazon provided a direct link to Starchefs, a site specializing in books for gourmets.

Companies that are customer-connected increasingly work with competitors. IBM claims that it is prepared to team up with anyone, including competitors, to give customers the outcome they need, a stance
unheard of only a few years ago.

Among the 5,000 news sources on which the Financial Times draws, which go back at least 10 years and are updated six times a day, are competitors such as the Wall Street Journal, the Daily Telegraph, Die Welt (Germany) and Il Sole 24 Ore (Italy). Bankers Trust, a leader in mutual

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Knowledge About Customers
Investments are made to ensure that the
company has the productive resources in
stock to produce the value-add services
that fill, as well as create and fill, value
gaps in the customer activity cycle. If they
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Given the abundant nature of intangi-
bles as offerings become more loaded with
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al cost of the next or extra offering to a
customer negligible, once the initial
upfront investment has been made to build
profiles and identify habits and preferences
to get the desired ‘lock-on’.

Knowledge from Partners
Ever since it built its constellation of
alliances in 1990, Skandia has been growing
globally because of the abundant character-
istic of knowledge. The company, a master
at connecting to customers, only employs
around 2,200 people but is able to use the
collective learning of its 70,000-strong
giant “federation network,” a base that it
converts into ongoing customer value.

Skandia leverages from this knowledge
without all the costs of ownership. “We
used to own a huge, expensive mainframe
in the back room with which we did the
financial planning for customers,” says
Leiff Edvinsson, Skandia’s intellectual
knowledge executive. “Now we get the
knowledge and information of the entire
network. We can leverage 40 people on
average for every full-time employee who
sells our financial services.”

Skandia selects, combines and refines
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to produce high-quality, personalized offer-
ings geared to suit the unique and chang-
ing needs of its customers, creating contin-
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is how it gets customers to “lock on,”
thereby avoiding the one-off, price-driven
transactions that have plagued its industry
for so many decades.

Though much of the knowledge comes
from partners, what is essential is that
what is “seen” and “felt” by customers is
the flair and force of the Skandia brand.
And providing integrated offerings globally
has been accelerated through the reuse of
intangibles by consciously bringing the
learning back into the system. “It’s easier,
quicker and cheaper to swap recipes than
to keep building cookie factories in every
locality,” adds Edvinsson.

Using E-Technology as the
Facilitator
Typically, there are four levels at which e-
technology can be used:

• Level 1: At its most basic, it takes the
form of a Web site catalogue or brochure,
containing online information about the
company and its products.
• Level 2: It is used as an alternative chan-
el or tool to promote and sell a firm’s
wares online.
• Level 3: At a more advanced level, corpo-
rations begin to use e-technology to
offer services that assist customers in
making decisions and finding solutions.
• Level 4: Finally, e-technology is used to
help manage customer relationships
interactively, at each critical point in the
customer activity cycle, pre, during and
post the experience, to facilitate new

Leveraging from Intangible
Resources

In the past, companies have always relied
on the strength of their physical assets –
the machinery, plant, raw materials and real
estate. Today, the object is to achieve an
integrated customer experience. This is
essentially accomplished through intangi-
ble resources – ideas, knowledge and infor-
mation encapsulated in value-add services.
And increasingly, companies are making
more money out of these value-add services
than from their traditional, core items.

The intangibles that dominate these
value-add services differ dramatically from
the resources needed in the old model in
many important ways. They travel instanta-
aneously at high speed and, once captured,
can therefore be converted to customer
value quite easily. And they grow the more
they are used and shared, instead of being
depleted. In fact, if properly stimulated
these resources – the value-generating raw
material today – self-generate and grow
exponentially.

So instead of losing value as they are
used, these resources gain in value, a fact
from which the customer-connected com-
pany can leverage. Such companies share
and reuse the information and knowledge
in-house and outside, linking information
and knowledge as part of their networked
community, bringing together customer
and customer, customer and company, and
company and company, in order to bring
superior value to their market spaces.

So the next questions the customer-
connected company asks are these:

• What information and knowledge do we
need at each critical point in the cus-
tomer activity cycle?
• From whom will this come?
• How can it be captured and pulled
together and disseminated – when, where
and how is it needed?

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The customer-connected enterprise shifts away from focusing on classic product/service categories and making and selling more “things” so as to grow market share, and instead concentrates on articulating new, dynamic “market spaces.” Market spaces encapsulate the linked benefits that bring about the results that customers want.

- What role does e-technology play in facilitating our strategy? How can it help deliver the value-add products and services at each stage of the customer activity cycle to get superior value to individuals as well as lowering costs?

Looking back at the Baxter Renal activity cycle, it is clear that e-technology can play a major role at each point on the customer activity cycle in intensifying relationships and delivering a better outcome to patients, doctors and hospitals. In a fully integrated, virtual network, patients can be connected to Baxter to get information on symptoms and early warning signals, and access information on screening and alternative treatments when decisions are taken, or when supplies are needed, or if there are special requests (i.e., going abroad). Round-the-clock emergency services offer patients help and feedback and handle other queries. Patients can also be connected to hospital sites, as well as to other renal sufferers or families for support.

Finally, Web-based technology can easily link doctors to each other to share information and patient data, with integrative benefits all round.

The entire Ford strategy is based on an extended service built around a Web experience from the beginning of the customer activity cycle to the end. Through single-click access and Web-enabled processes, customers are connected virtually to all participating providers, with dealers and the company united to produce one customer relationship and experience. This offers frequent opportunities for customers to touch the brand and for Ford to assimilate relevant real-time data and feedback to reinforce the bond. In fact, through its Y generation site called DEN (digital entertainment network), Ford gets young people to touch the brand before they even become drivers.

Specifically, e-technology facilitates a customer-connected strategy in the following ways.

It Enables Interactivity
Bringing e-technology to the company simply to reengineer what is already being done in order to shave costs is very different from using e-technology to interact with individuals so as to bring to them exactly what they want when where and how they want it. Bill Gates elaborates:

“One of the things you quickly learn on the Internet is that those stories that you just take from the newspaper (for instance) and put up (electronically), people aren’t very interested in. Stories where you get interaction and you say OK, under this tax proposal enter what your income is and see how it affects you, or type in your zip code and we’ll show you they are giving out a lot of traffic tickets in your area. Things that are interactive and draw on what that person cares about are great.”

E-technology is a powerful tool for customer personalization because it enables the company to manage interactively through all parts of an individual’s experience, shaping the offering and continuously learning about the customer. E-technology also enables the company to have multiple links between its customers, itself and its partners. Ford talks about two-on-one relationships - in other words, customers are connected to the company site as well as simultaneously to dealers through its Web-based multichannel applications. But it goes further: customers can establish a dialogue with employees or partners, such as designers about the cars or Ford Credit about financing. Similarly, in the past newspapers had only one link with customers - the newsstand on the street. Now Financial Times readers can have links with editorial staff, add their own experiences, get exactly what they want to know in the format they choose, and be connect-
ed to special reporters together with a link to key figures behind a story.

**It Mobilizes Collective Knowledge**

The new enterprise gets customer lock-on because it interacts with customers with the express purpose of learning about them, and converts this learning into superior offerings on an ongoing basis. E-technology makes this an increasingly easy feat to accomplish, because not only can huge quantities of unstructured information be collected, but additionally it can be turned into real-time decision making.

Similarly, thanks to e-technology the company’s entire collective intelligence can be brought to bear on a client interaction, not just one person. When KPMG Peat Marwick consultants go to a customer’s office, they take some 75,000 colleagues with them. Everyone has access to the firm’s “brain trust” (as one executive referred to it), the collective intelligence of employees from around the world on practically any topic related to the client or its business. Expanding on this, a member of top management said: “Down there on the battlefield, every professional that stands in front of a client is [the whole of] KPMG Peat Marwick. We are directing the combined intellectual assets of the firm down to a single point.”

**It Links Delivery Partners**

E-technology facilitates integrated offerings because it is easy to partner with outsiders – people don’t have to belong to the same company or be under one roof. Integration can also be achieved inexpensively. In fact, the more the community of linked providers grows, the more valuable the network – and each player belonging to it – becomes, thanks to the networking externalities that kick in.

Because information can easily be brought together over the Internet and intranets, people previously separated can work as one integrated delivery entity, joining processes and so combining expertise and sharing infrastructure and resources. Relevant information can go to all partners instantaneously to facilitate both concurrent and real-time decision-making. Information is also easy to assess from third parties and competitors, so that, rather than operating in the same old sales mode, a company can offer the best deal and even competitors’ products and services to customers in its role as independent advisers, say as project or procurement consultants or brokers.

With this pulling together to produce solutions for customers across divisions, companies, industries or countries, the challenge, of course, is to make sure that the customer ultimately gets one brand experience. It is the Amazon brand that customers lock on to, not the books.

**It Delivers Integrated Processes**

New strategies require new processes, able easily to connect the company to customers and customers to the various players in the delivering network and the players to each other, and then back to suppliers. But all of this starts with the customer activity cycle analysis and works backwards. Volkswagen’s new strategy exemplifies this: a fully integrated set of processes – from needs assessment through information gathering, buying, financing, insuring, emergency repairs, and maintenance and upgrading – has been designed and built, linking customers, regional offices, local dealers and factory. For example, when customers enter the service part of the activity cycle by logging in, they can access a complete history of their car; get a diagnosis made together with an assessment of parts needed; be able to choose parts from visuals on screen and get best prices; order the parts and services wanted; check the service schedule; book an appointment; get a printout (which acts as a legal contract); request alternative transport if needed; track progress, and pay.

Choice is all-important, says Volkswagen. For example, the customer can log in on the Web or call by phone; when their car is in the workshop, they can choose a courtesy vehicle, have their car collected at home/work, get a lift from the dealer once their car has been dropped off, or wait at the garage premises. If they opt to wait, they can go to a comfortable entertainment area and watch TV and have a snack or work, or they can watch their car being serviced.

**It Changes the Economics**

The economics of e-technology work to the customer-connected company’s advantage not just because they eliminate many of the heavy overheads of the past, but because much of the value added at critical points in the customer activity cycle are services containing the intangibles that can be easily, quickly and cheaply transmitted, lowering production and distribution costs. Also given their abundant nature, the expenses of producing them again and again are low.

Then there are the less obvious costs saved, like input obtained from customers who pay not only in money but also in value-add opinions, experiences and commentaries. Customers also provide solid information on a variety of fronts, including themselves. Many companies will have to consider factoring this fact into their calculations if customers, especially business-to-business customers, begin charging for information and knowledge in the future.

Moreover, as customers become more familiar with the technology, they are able to participate more and more in the actual production process, extracting the value for themselves and sharing it with others. Amazon customers, for instance, review books and give their opinions and suggestions about what else readers of the book might like to read: they become producers, not just consumers. The customer-connected company can also save costs via this kind of participation - through customer chat lines customers exchange ideas, train and do things for each other.

Whatever the change in economics, what is important is that, from the customer’s point of view, they are getting superior value at low delivered cost. If Amazon retains its lead it will not be because of discounts - these can and are being copied. It will be because it has added value at each critical point in the customer activity cycle and lowered the overall price. Peapod customers get a 24-hour, personalized shopping service and everything else mentioned above, for which they pay a price covering the software applications, a monthly fee, a delivery fee, and a 5 per cent surcharge on the order. But this cost is more than offset for them by the savings they make over their
total activity cycle. They get more information about products, which helps them make better decisions on what to buy so that they waste less; they save money using more coupons than they normally do. They also do more comparison shopping and less impulse purchasing, and save time, money and energy through not using any transport.

**Final Word**

E-technology offers strategic Internet services and e-business applications to help firms – whether in high-tech or traditional manufacturing and services – excel with customers in ways never before imagined. But it is a complete fallacy to believe that companies will have the edge on others simply because they are Internet-based or using e-technology if it is simply to reengineer what is already being done or just to save cost.

This kind of thinking and behaviour will simply lead to a new commodity generation where everyone copies everyone else and no one wins in the end ... except this commodity generation will be online.

If companies are to compete sustainably in the future, no matter who they are, it will be because their thinking and behaviour make customers central to their strategy in a profound and dedicated way. E-technology's role is to help make this happen.

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**About the Author**

Presently holder of the Chair in Management at The Management School, Imperial College, University of London, Sandra Vandermerwe has a number of distinctions in her field. Previously, she spent a decade as Professor of Marketing and International Services at the International Institute for Management Development (IMD), Switzerland; before that she was Professor of Marketing at Witwatersrand University, South Africa.

Her reputation as a leading international expert on the subject of corporate transformation to achieve customer-focused strategies in a global contemporary environment began in the 1970s with her Doctoral thesis on "The Influence of the Marketing Concept on Company Performance." Since then she has become closely associated with this theme, and has over the years given presentations and workshops on the subject to senior executives, boards, and top management globally.

In addition to her extensive activities in corporate forums, international conferences and consulting projects, Professor Vandermerwe is also a regular Visiting Professor for a variety of senior executive development programs at such leading European business schools as London Business School; Manchester Business School; INSEAD; Templeton College of Oxford University; and Vrije University in the Netherlands.

A prolific writer whose work is based on ongoing, application-driven research and collaboration with some of the world's leading thinkers and practitioners, Professor Vandermerwe has published in numerous academic journals and is on the editorial boards of several leading European journals.

**Footnotes**


Connected devices and cloud technology can gather data on the length of a typical transaction and the time shoppers spend in-store to monitor and iron out inefficiencies. The Internet is not replacing brick-and-mortar retail, but it is forcing retailers to reconsider how they run their stores. The .com and mobile spaces have created natural efficiencies for better, more personalized shopping experiences. In-store sensors and beacon technology, for example, can send personalized behavioral and demographic data to a business’s cloud computing system, offering insight into who customers are. This data can educate product, layout and display strategies by providing information on consumer preferences, budgets and more as customers make multiple visits to a store. When we talk about marketing and role of technology in it, we understand that new marketing concepts have changed the face of 21st century marketing techniques. Now marketing is majorly dependent over technology. Going by definition technology means the making, usage, and knowledge of tools, machines, techniques, crafts, systems or methods of organization in order to solve a problem or perform a specific function whereas the marketing terminologies states technology as a mode or a tool. The challenge for brands is to connect with customers through all these devices in real time and create campaigns that work across social media, display advertising and e-commerce. Technology has continuously played an important role in the working of banking institutions and the services provided by them. Safekeeping of public money, transfer of money, issuing drafts, exploring investment opportunities and lending drafts, exploring investment being provided. Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Internet has significantly influenced delivery channels of the bank. The e-banking has made the customer say good-bye to huge account registers and large paper bank accounts.