



The Loyal Treatment

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Shift Work

It is time to make the move from marketing to the evolving concept of customer strategy.

By Lawrence A. Crosby and Brian Lunde



Peter Drucker famously said, "The purpose of business is to create and keep a customer." What he did not say was: the purpose of business is to create and keep a *market*. Drucker offered a profound insight and most 21st century corporations have missed this important distinction.

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Yet the tradition of marketing strategy carries on. An informal search of four sources for the terms "marketing strategy" and "customer strategy" produced the telling results in Exhibit 1. Is there more to that than a comparison of a well-established term and a fleeting buzzword?

Exhibit 1

	"Marketing Strategy"	"Customer Strategy"	Percent Difference
Google	1,600,000	237,000	-85%
Amazon	29,300	560	-98%
ABI/Inform	5,098	135	-97%
The Wall Street Journal (since 1/1/2000)	542	3	-99%

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In his book *Kotler on Marketing* (Free Press, 1999), Philip Kotler outlines the following formula as representing the marketing management process: "R → STP → MM → I → C." In that formula, R = research; STP = segmentation, targeting, and positioning; MM = marketing mix (i.e., the famous four Ps of product, price, promotion, and place); I = implementation; and C = control (getting feedback and making adjustments).

Of course in practice the marketing process isn't linear. Instead, the process in most organizations looks more like Exhibit 2.

Exhibit 2

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The Predominant Marketing Management Process:



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The reality is that in most organizations marketing strategy and management are based on internal momentum established by (1) what the current segmentation, targeting, and positioning strategies are and (2) the current marketing mix. Additional strong influences are the financial goals of the organization (which, in public companies, are often set by Wall Street expectations), budget momentum, the power bases for decision making in the organization, reward structures, and existing beliefs and conventional wisdom about how the organization succeeds.

In her book *Chief Customer Officer* (Jossey-Bass, 2006), Jeanne Bliss asserts: "The corporation has become a machine of mediocrity to its customers. ... What goes out is defined by the traditional silos created to drive competency vertically. ... The organizations we've built ... have created a neat and ordered world for us to run our businesses. But for the most part, we've let down our customers." Marketing strategy, as practiced in modern corporations, simply isn't getting the job done.

We need to repurpose our marketing strategy tools and change our strategic focus from markets to customers; we need to adopt the evolving concept of customer strategy.

Customer-Strategy Components

Banco Popular is a 96-branch, full-service bank that competes in the same space as giants such as Bank of America Corporation, Chase Bank, Citibank, and Wachovia Corporation. Chan Peterson, its EVP and head of community banking, expresses the bank's strategy in *1to1 Magazine* (January/February 2007): "We're going to compete based on our customer relationships. And it's not just service. It's a level of intimacy. I think other companies get so focused on customer segmentation that they forget about the individual. You don't lose a segment. You lose a customer. You don't retain segments. You retain customers."

What is notable here is how the bank thinks. It is thinking at a level of granularity that is missed by traditional marketing strategy.

But what is customer strategy? It focuses on three essential questions:

1. Whose needs—and what needs—are we intending to meet?
2. What are the branded experiences we intend to deliver in meeting those needs?
3. How do we deliver those experiences profitably?

Customer Needs

Every organization needs to define to whom it intends to sell. Customer-based thinking will push beyond market segmentation into the characteristics of ideal customers.

An excellent example of a tool for that is personas. A persona is a customer model: a literal representation of a customer with specific goals, attitudes, and behaviors. For instance, NASA has used personas in the development of its Web site (www.nasa.gov). One of its personas is "Carl Walz," who represents children who are curious about space. Carl is made real by describing him as a real person: He is 6 years old, lives with his mom and dad, uses the Internet regularly, wants to be a pilot when he grows up, and likes to have fun and use his imagination. That is just a portion of what would be written to describe Carl.

Personas are powerful because they provide much richer input to that second customer strategy question: What are the branded experiences we intend to deliver in meeting those needs?

Branded Experiences

Imagine a cross-functional team at NASA working from the following question: "What should the branded online experience be for children under age 10 who are interested in space?" Now contrast that with: "What should the online branded experience be for Carl Walz?" Keeping in mind that we have a rich description of Carl Walz and what his world is like, the latter framework is going to generate a much higher degree of specificity around experience simply because of the frame of reference. Instead of thinking in abstractions, the team is anchored to a "real" human being and what it would be like for Carl. The difference in perspective is enormous.

The question of branded experiences is at the heart of customer strategy. The term refers to customer experiences that are differentiated by the unique characteristics and meaning of the brand. Any customer

having visited both a Disney park and a Six Flags park in the United States will immediately understand that a "Disney experience" is very different from a "Six Flags experience."

In his book *Experiential Marketing* (Free Press, 1999), Bernd Schmitt articulates a useful framework for defining the dimensions of experience. Those dimensions—which Schmitt simplifies as sense, feel, think, act, and relate—offer a set of building blocks for defining branded experiences.

Starbucks became the miracle of \$4 servings of coffee—not because of features and benefits but because of experience. And Virgin Atlantic is planning to compete in the U.S. airline market not primarily on the basis of routes, schedules, and fares but by delivering a unique, branded customer experience.

In customer strategy the focus is not on what the product is or does but what the user experiences.

The discipline of thinking in terms of branded experiences is not a niche strategy for organically customer-centric organizations. Customer experience happens; the question is whether the organization designs, executes, and manages experiences in a way that builds brand equity and customer loyalty.

Profitable Delivery

In one sense it is easy to imagine ways to create fantastic experiences for customers. But it is quite another thing to work out how to produce those experiences to generate a return above the cost of capital. Here it is enormously

useful to understand which dimensions of experience are most salient to customers. That's because that insight allows a much sharper focus on where investments can be leveraged. Customer loyalty research can be applied very strategically for that purpose.

Marketing strategy will undoubtedly continue as the de facto orientation for many organizations because it is so deeply entrenched in the culture of business. Therein lies the opportunity for forward-thinking organizations—to break out of market-based thinking and instead build strategy by focusing on what Drucker defined as the very purpose of a business in the first place: the customer.

About the Author

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