



MAKING THE CUSTOMER THE CENTER OF YOUR UNIVERSE

One of a series of white papers on Touch Marketing®



WRITTEN & PUBLISHED BY: JON SHERRINGTON, PRESIDENT
HYDROGEN CREATIVE INC.



Touch Marketing

by: Jon Sherrington

How do you prevent your customer from considering other products and services? How do you expand your relationship with your customer to convert loyalty into higher frequency and bankable continuity? How do you apply the same techniques to convert prospects into customers?

Touch Marketing examines the relationship between the customer and its choices to help marketers build loyalty, frequency and continuity.

CUSTOMER RETENTION

The ability to retain customers is fundamental to the long-term viability of a business. The most valuable form of retention is when customers choose to be loyal. Loyalty is the most fertile medium in which to grow a business: it nurtures frequency and continuity, even through change.

What is the formula to make a customer choose to be loyal, and how can marketers tap into this to strengthen their business in overcrowded markets where every transaction is a battleground of choice?

COMMITTED RELATIONSHIPS

In a sophisticated economy, where transaction-based purchases satisfy the majority of society's wants and needs, people bond with their purchases at an emotional level. In less evolved societies the same bond is formed with prey or pasture.

This emotional attachment is the first building block in a dependency relationship between the consumer and the products and services consumed. This tendency to form a relationship is essential to understanding what it is that makes a customer loyal.

Loyalty means commitment. Loyalty is a willingness to give up alternatives. Loyalty is given when the customer expects to realize compelling benefits from certain choices. Today, customer loyalty is something of a myth – the hallmark of an earlier civilization.

When did loyal customers become a dying breed? When globalization and manufacturing technology made so many choices available. Products are copied and refreshed in such volume that customers make choices based on short-term priorities such as price or convenience and derive gratification without commitment. This problem is so widespread that marketers have adopted a strategy of brand differentiation to define their relationship with their audience.

THE ERA OF THE BRAND

A relationship can be forged by a consumer's tendency to align their choices with a cultural identity, to seek like-minded individuals and form a group. A group culture has more predictable behavior patterns. Marketers exploit this tendency by integrating all the attributes of their product or service into a symbol of suggestion, a.k.a. the brand. The brand is crafted to appeal to an identifiable culture within a market population, to attract and build loyalty within the group. A strong brand can win over customers as the brand culture grows and defend market share.

Brand marketing works where an economically-viable segment can be converted into a reliable revenue stream.

Branding provides the marketer with the ability to separate from the look-a-like products. By defining its relationship to a culture it can build loyalty with those individuals who will commit to the idea of a relationship with a brand in order to be part of the group.

Unfortunately, branding has become so widespread that multiple brands are given equal status, defeating the purpose of the brand. So, the brand model is not a panacea for customer retention. It has simply shifted the battle-ground in the same way that invention has moved warfare from the ground, to the sea, to the air.

ONE-TO-ONE RELATIONSHIPS

There is a deeper level of relationship in the human psyche: a one-to-one relationship that strives for permanence. To apply this model to a product, a service, a business or a brand, means to form a direct relationship with each customer. This is a very different perspective. Rather than the brand-centric model that attracts many to one, this model makes each customer as the center of attraction, and the product, service, brand or company revolves around them.

When you consider how many attributes are required in the formation of successful a relationship – attraction, opportunity, communication and compatibility are some examples – none of these refer to loyalty. But loyalty is the goal of a one-to-one relationship and implies commitment. To succeed each partner has to prove that their partner is the center of their focus.

Applying this to commerce, your partner is the customer. Your goal is to be a loyal provider and the reciprocal commitment you seek is that of a loyal customer. Your investment should make the customer feel the center of your focus. The customer's loyalty is measured through the frequent and continuous purchase of your product or service.

Attraction sparks a relationship, but a marketer will fail in the sustainable execution of a relationship with nothing more. Attraction is self-centered and break up is inevitable.

This is evident in the increasing rate of customer churn, renewal drop-off rates and the speed at which businesses with great ideas rise and fall.

CRM, LOYALTY PROGRAMS AND PROMOTIONS

While branding has become the de facto rallying cry in the competition to win and retain customers, many other innovations and technologies have been integrated in parallel: 24/7 Call Centres, online interactive communications, Earn Rewards programs, data mining, CRM programs – and the great profit eating, market share gobble – marketing promotions.

They are in place because they achieve a measurable return on investment. They are in place because branding is not a panacea for customer retention. They are in place because 70% of all marketing investment is driven by the imperative to do whatever it takes to keep the customer. Ultimately, they are in place because without them competitive alternatives would eat up your market share.

THE NEED TO CHANGE PERSPECTIVE

If 70% of the typical company's day-to-day marketing activity deals with fire-fighting customer retention that means that 70% of the business is dedicated to customer-centric tasks. This should be a good thing. Yet it isn't. For two reasons:

1. When customer-centric marketing is applied within a brand or product centric business 70% of the tasks are customer/competitor reactive and only 30% relevant to the strategic plan established by the business.
2. In reactive mode this approach to customer-oriented activity actually enervates the business. It becomes a battle with the customer to keep their business, which is a significant investment in futility.

Until the perspective changes marketers will continue to put out fires for a living.

Consider the total investment each US car manufacturer puts into its call centers, and customer service programs. The US car industry's brand-centric business model has failed to benefit from all its customer centric marketing programs and is in complete disarray.

The Canadian banking industry would be in the same predicament if it were not so well protected. Yet President's Choice Financial built a solid segment in the Canadian banking market from its origins as a grocery store brand simply because it discovered a need it could fulfill for its customers that had nothing to do with grocery product and everything to do with supporting their customer. President's Choice made a truly customer-centric business decision that capitalized on the failure of the major banks to fulfill their own customer promises. They made it possible for their customers to have more money to spend on groceries through discount banking in their grocery store.

In a truly customer-centric business the customer support tools are just one component of the value drivers in the relationship with the customer. The truly customer-centric business puts all the value-drivers of the business from the perspective of the customer. It equates all the delivery promises: innovation, quality, price-point and functionality and competitive advantages with a relationship-generating tool between you and your customer.

When you truly put the customer at the center of your focus, all the power of your assets and the way you govern your business are harnessed to the most compelling driver of the business – the customer. The change in perspective has the impact of changing the business from reactive to proactive. To completely change this perspective requires understanding the essence of Touch Marketing.

TOUCH MARKETING TAKES FLIGHT

Touch Marketing is a process of taking customer-centric marketing to the next level. It creates the emotional dynamic needed within a relationship and uses marketing tools to express a comprehensive, customer-centric marketing strategy.

The first principle is to align the business to be truly customer-centric. Putting the customer at the center is not a simple exercise. It requires the willingness to change business attitudes, policies and processes to incorporate the whole customer-centric idea. It also takes practice and re-training to define a relationship that no longer has the business or the product at the center.

Who is the relationship driver? You are. In any relationship there is an initiator and a reciprocator. Your business has to initiate to survive. Each time you touch your customer loyalty, frequency and continuity should be your goal.

Touch Marketing is the technique of taking the fundamental building blocks of a relationship and applying them to the marketing of products, services, businesses and brand.

Touch Marketing penetrates through six layers that stand between you and the customer:

1. Your Asset
2. The Market
3. Your Audience
4. Their Response
5. Media
6. Marketing Execution

The following diagram illustrates how these marketing layers result in exposing any value proposition to market.

SIX LAYERS THAT SEPARATE YOU FROM YOUR CUSTOMER

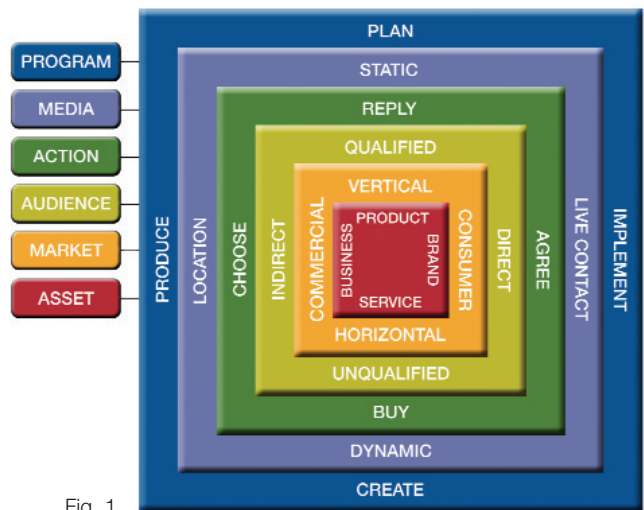


Fig. 1

At the core of the traditional marketing model is the product, service, brand or business being sold. Let's call it the 'asset'. Each asset is designed to provide maximum wealth to the stakeholders. To market the asset requires navigating through six decision tiers, choosing which type of market, audience or contact to reach for the best possible outcome.

These 6 tiers both connect and separate the marketer from the customer. They are considered barriers to a customer-centric philosophy.

The model in fig 2, presents these barrier in the form of a hierarchy where the valued asset sits at the top and the many hoped-for customers sit at the bottom.

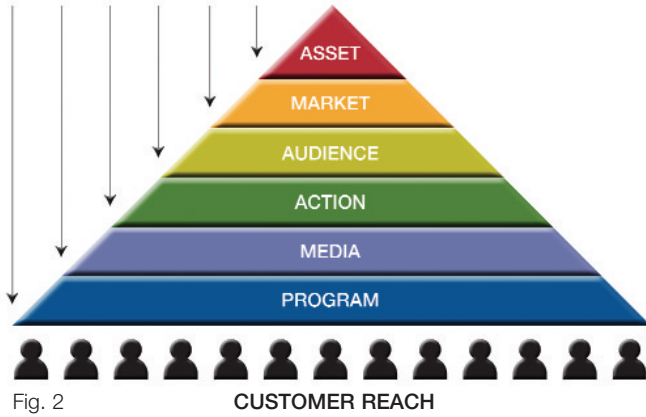


Fig. 2

Here, the customer is a unit by which success can be measured and the value driver is the Asset. History has proven that this model can be very successful for growth.

THE CUSTOMER'S VIEWPOINT

Take a moment to consider the proposition from the perspective of customer.

Your customer lives and breathes the need to fully satisfy its needs and expectations. It exercises freedom of choice in order to achieve this. It is empowered by choice and will take risks to advance its own interests. Choice means competition. Customer choice means you run the risk of losing everything you have gained.

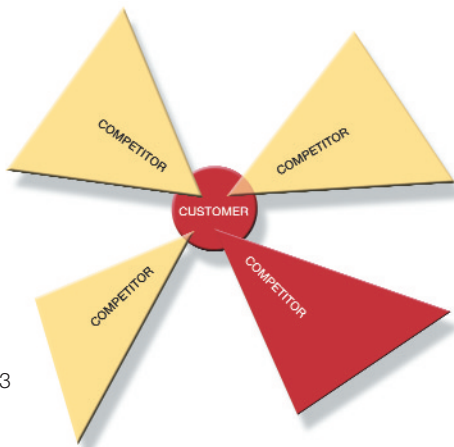


Fig. 3

Represented by fig. 3, the geometry is quite different. It now includes your competitors with the customer at the center. Customers are self-centered. This is not new.

But to compare the different paradigms in fig. 2 and 3 is a suggestion how far from the customer a brand-centric perspective might be. And how much it might need to change in order to build a loyalty that has both frequency and continuity.

All the belief that was invested in placing the asset at the core of the hierarchical model can be simply derailed by your competition attacking your customer with an equal or greater benefit.

How to solve the paradigm, align the geometry and implement a strategy that can have long-term sustainability? How do you make your product the only one that the customer chooses without changing it or discounting it?

MAKING THE CUSTOMER THE CENTER OF YOUR FOCUS

To focus on the customer you have to invert the pyramid, connect the customer psyche intimately with the asset and then build the layers around the customer to fully embrace the relationship at all touch-points. The business change processes should then be communicated through integrated system that articulates all the customer-centric values.

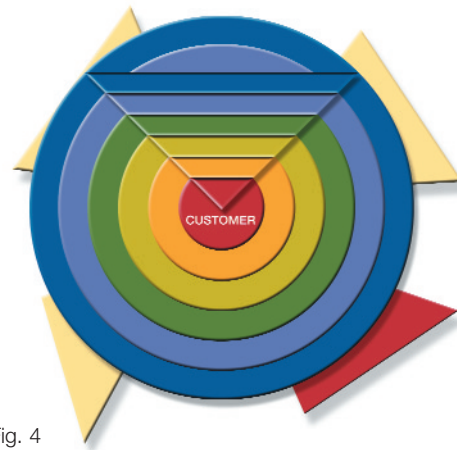


Fig. 4

Inverting the pyramid means totally changing the perspective. Once you change your perspective, your existing resources can fall into place. You will discover that, by just by re-aligning even one existing resource to a customer-centric model, you can create a valuable proposition to inspire your customers and create a framework for a relationship that is founded on shared loyalty.

In a recent management forum on Manufacturing Supply Chain Management, CEOs were able to grasp that supply chain efficiencies could actually be used as marketing tools to elevate the business over its competition. This point would be missed in an asset-centric business perspective, because the mechanics of supply-chain management not directly connected to the customer experience.

Two successful companies have centered supply-chain management systems completely around the customer. Walmart and Dell. Walmart can expand into any product category as long as it remains true to its core customer-centric promise. Dell delivers tailor-made technology conveniently to your door in less time and less money than its competitors. Each company has built on the customer-centric model at its core and seen loyalty, frequency and continuity drive up market share, shareholder value and stakeholder value.

TOUCH YOUR CUSTOMERS AT THE CENTER OF THEIR NEEDS.

Touch Marketing is Hydrogen Creative's proprietary tool-set that defines the goals, functions and meaningful message of an integrated customer-centric marketing program. You need to touch the customer at the emotional center of their need in order to initiate and sustain a truly customer-centric relationship.

Touch Marketing is a significant shift in perspective. The messages that are communicated throughout the development of the relationship are all designed to reinforce the customer-centric nature of the relationship. The loyalty reciprocated through the process of a well-executed Touch Marketing strategy is demonstrated by those radial elements of marketing: asset, market, audience, action, media and program overwhelming the competition and capturing the maximum share of that customer's wallet. Take away the motivation to buy other products by providing your customer with compelling benefits not to want other products. When you discover what your customer really wants from the relationship you may just learn that it has nothing to do with the product.

How is Walmart's promise delivered to the customer? Through the most ubiquitous symbol – the happy face. "Whatever Walmart does, the goal is to make you happy". That's a relationship on which marriages are built.

TAKING A STEP BACK TO GO FORWARD

One of the most difficult challenges is to step back and evaluate everything from a customer perspective. The best solutions are usually the simplest, but even the talents of leading marketers can be frustrated in locating the obvious.

Touch Marketing is effective because it takes the very microscope that marketer's use to analyze the customer and puts the business, brand, service or product under it, from the customer's perspective. This is the best way to align a value proposition to a customer-centric philosophy. Yet advertisers and marketers fail to get the right perspective even as they implement customer-centric programs. This is a recipe for high investment and low return.

ADDING VALUE TO EXISTING MARKETING PROGRAMS

Touch Marketing does not reinvent the wheel, the brand, product or service. It is a means to maximize business relationships with actual or potential customers. It provides a lens through which to view this critical element of the business cycle, to set loyalty, frequency and continuity as the "mission possible" for customer relationships.

It sounds simple – keep the customer happy. But, happiness is a temporal state. The reality is; customers are self-centered. Their need for gratification changes throughout the day and their behavior is unpredictable unless they have made a commitment. The definition of customer happiness is more than a linear relationship between a product, service or business and their wallet. It is the essence of mutual commitment.

Transferring this emotional context into a business relationship requires dedication to a single idea – to put the customer at the center of your universe for a greater share of their loyalty.

ABOUT HYDROGEN CREATIVE INC.

Hydrogen Creative is a full-service, integrated marketing communications studio established in 1996. Hydrogen built its philosophy on one-to-one orbiting relationships with its clients. This is the construct of its logo and name. It has successfully applied its philosophy to win banner clients and help them to realize their own success in customer-centric marketing.

Sample Clients include:

- > Compaq
- > Dell Canada
- > Hewlett-Packard
- > Interac Association
- > Scotia Capital Markets
- > Health Canada
- > Scotiabank
- > Scotts Canada
- > Sun Microsystems
- > Thermos

Touch Marketing was developed by Hydrogen Creative for increasing the engagement and retention of customers in consumer, commercial, industrial and public sector markets for products, services and brands. Touch Marketing was created to implement a truly customer-centric marketing strategy.

CONTACT INFO:

Jon Sherrington: President
jon@hydrogencreative.com

Zale Tabakman: Director Sales & Marketing
Zale@hydrogencreative.com



Hydrogen Creative Inc. 21 Amber St., Unit 3, Markham, Ontario L3R 4Z3
Tel: 905.479.4000 • **Fax:** 905.479.4001 • www.hydrogencreative.com