COMPETING for CUSTOMERS
Why Delivering Business Outcomes Is Critical in the Customer First Revolution
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Why Delivering Business Outcomes Is Critical in the Customer First Revolution

Jeb Dasteel
Amir Hartman
Craig LeGrande
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Foreword

We live in a world where cellphones outnumber the planet’s seven billion people. Where social networkers spend 200 billion minutes networking every month. And where the Internet now surpasses TV as the media of choice. Today, consumers can make or break our products by sharing their opinions with millions in moments.

Technology is erasing all boundaries and enhancing the human experience with new services at every turn. People are rushing to immerse themselves in the possibilities, while enterprises are challenged to keep up. It’s a massive market shift that is rewriting our lives, and redefining how our businesses succeed—or fail.

Like it or not, technology now plays a pivotal role in our lives. More people than ever are demanding more access to more information and services, wherever, however, and whenever they need them.

The enterprises that thrive in this world will follow that lead and look beyond the technology they have to the possibilities that technology can enable. Competing for Customers expertly explores the opportunities and challenges ahead for business leaders.

What will it take to succeed in this brave new world? Every business leader I talk to offers a slightly different answer. But in my experience, you can boil it down to three critical capabilities: business agility (the ability to react to new opportunities), resiliency (the ability to “survive and thrive” in tough times), and long-term financial growth (which no business leader can possibly afford to ignore).

By no means are these easy things to achieve. Just consider: Half of the companies on the Fortune 500 list in the year 2000 are no longer on the list. If we look back to 1990, 70% of that elite group fails to make the list today.

Such volatility underscores the perils of not keeping up with change. This is true not only in my industry—information
technology—but in every sector that depends on technology to any significant degree. Which is to say, virtually every modern enterprise.

In the past decade I have seen massive changes shake the technology industry, starting with our customers. In short, they want more and they want it now. Our customers have come to expect great experiences in their consumer lives, where there’s an app for just about everything and it works on any device. Why not expect a similarly great experience at work?

What’s more, they’re happy to pay for it. Research shows that 86% of consumers would pay more for a better experience. Amazingly, though, only 1% of consumers feel they actually have had a good experience.¹

The workforce is evolving as well. Notably, our employees are getting younger: Experts say that by 2020 half of the U.S. workforce will be “millennials”—workers in their 20s and 30s. The challenge is in persuading these young and restless workers to build new skills and a promising career with your company over several years. Some 60% of this highly productive cohort may leave for new jobs in less than three years.²

On top of all this—and significantly for information technology—the market for business computing is shifting dramatically. Customers in this space are getting restless: 76% of executives in a recent survey say their current enterprise-resource-planning (ERP) systems—the software that runs the bulk of their business operations—are “unacceptable.”³

For more and more of these companies, the future lies in cloud computing. In a new survey, close to half of CFOs said they plan to move their financial management systems to the cloud.⁴ This mass migration of enterprise systems could be the number one trend in business today, one that Competing for Customers examines in detail. And as the authors rightly point out, this transition is best viewed as part of a much larger trend: the transformation of how businesses—that is, your customers—buy and consume products and services.
Thanks to the cloud, businesses increasingly prefer to rent, or subscribe to, services rather than owning operational systems outright. By doing so, companies can jettison a lot of the cost and complexity of running elaborate systems in-house and thereby become more flexible, scalable, and results-oriented than ever before.

Business leaders I talk to say the move to a service-centric world is more about focusing on competitive differentiation and business results and less about owning and operating the infrastructure needed to deliver them.

Today, when companies are buying a service, they’re buying an outcome. Competing for Customers delves deeply into results-based buying and offers smart advice for companies seeking to measure and ensure business outcomes for customers.

In the past several years I have had the pleasure to work closely with co-author Jeb Dasteel. As Oracle’s chief customer officer, Jeb helps me guide Oracle’s transformation into a truly customer-centric organization, a journey detailed in this book. We understand that this is a journey with no single destination—we’ll never stop listening to our customers and never stop discovering better ways to ensure their success.

Read Competing for Customers to find out what it takes to make customer success part of your organization’s DNA. Use it as your road map for navigating the competitive landscape in what the authors call the “Customer First Revolution.”

—Mark Hurd, Oracle CEO

Endnotes

1 RightNow Customer Experience Impact Report (2012), based on a survey conducted by Harris Interactive.
4 Oracle customer survey, 2015.
Introduction

“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

–Sam Walton

Is there anything really new that can be said about the customer? No doubt you’ve heard all the old adages before: how the customer is in charge and calls the shots; how your business is all about satisfying the customer; and how you need to stay “laser focused” on the customer.

Over the years, a lot of people have explored what makes customers tick and how paying attention to your customer fuels business success. More recently, the “customer experience” meme has been grabbing the attention of business leaders, marketers, and sales executives alike. The idea that “journey mapping” the customer’s experience or identifying “moments of truth” can improve loyalty and promote customer retention is everywhere these days. But is that really sufficient?

Most companies know intuitively that pleasing customers is good for business. Businesses that sell to consumers—B2C companies like Walmart and Apple—have known this for a long time. By contrast, businesses that mainly sell to other businesses—B2Bs—have generally been slower to grasp this concept. Ostensibly, they’re all for pleasing customers, but they lack either the know-how or the inclination
to change tried-and-true business models, preferring to tell customers something along the lines of “this is what we’re selling—take it or leave it.” For these businesses, it has been mostly about closing the deal and moving to the next opportunity. Seldom do they try to find out whether the customer actually used what they had bought, whether it met expectations, or whether it actually contributed to a desired business outcome.

Lately, though, B2Bs are changing their tune. More of these organizations are paying closer attention to customer satisfaction, loyalty, and customer experience, and many have made impressive strides in measuring and analyzing crucial points in the customer “lifecycle.” They want to know what their customers think and feel about their products, and what the customer’s day-to-day experience is like. Many are investing heavily in systems to capture these insights.

So why do we need a new book about competing for customers?

The answer, we believe, comes down to this: Whether you know it or not, everything about how you sell to customers is changing; everything about how you market to them must be rethought; and everything about how you keep customers coming back needs a fresh look. Even the individual who’s likely to buy your product is different.

These changes are being driven by titanic shifts in the nature of the B2B economy and in the customer relationships that underpin it. Business buyers are behaving more like consumers: better educated from the flood of information available on the Web; empowered by the ruthlessly candid sharing of opinions on social media; and emboldened by the ease with which you can switch to the competition in what is called the Subscription Economy (more about that later).

If you don’t get onboard with the fundamental shifts we describe in Competing for Customers, you will likely face disruptions that could threaten the very core of your business.

We wrote this book to help companies take advantage of the Subscription Economy and avoid being marginalized. We wrote it to
help you understand and prepare for the coming changes, and to learn from innovators who have rejuvenated their businesses by transforming how they interact with their customers. In these pages, we hope to provide you with the insights and tools you need to outcompete your rivals for customers and lay the groundwork for sustained growth and profitability.

The Subscription Economy

Revolutions in business never stop. New ones, as if sailing in on a tsunami, wash over the economy every few years. We’re in the middle of one right now, and it represents nothing short of the birth of a new way of doing business. It’s the Subscription Economy—and by this we mean an economy in which more and more products are designed to be consumed “as needed” or as a service and, moreover, sold not for their particular features and functions, but for the business outcomes they’ll deliver.

It’s no coincidence we’re seeing this first in the technology industry where “software as a service” has made deep inroads into businesses ranging from mom-and-pop storefronts to Fortune 500 giants. Today it’s not uncommon for companies to rent most of their software “in the cloud” to run everything from marketing, sales and HR to manufacturing and document processing. “Software,” as Marc Andreessen famously said, “is eating the world.”

Even old-line industries are leaning toward the subscription model. Construction equipment maker Caterpillar, for example, has started selling what one might call “mining as a service.” If you’re a customer, that means you rent earth-moving machines and everything you need to keep them running over a set period of time. You’re no longer just buying bulldozers; you’re subscribing to “bulldozer services” (or “bulldozer capacity”) that allow you to manage fleet performance remotely, and help monitor and manage your
operations across key areas such as equipment management, productivity, and safety.

The rise of the “as-needed economy” will have a profound—and, yes, disruptive—impact on companies of all sizes. For more and more companies, it means the selling process will be turned upside down. Rather than paying for products up front in a single capital outlay, customers will spread the purchase over years—and constantly evaluate whether the subscription is worth renewing. Under this scenario, your “sale” is no longer a one-time event but one of many interactions in which you engage in your customer’s business. This is a new kind of partnership that demands hyper vigilance if you hope to retain your customers long-term.

What all this implies is a dramatic swing in the balance of power between buyer and seller. No longer saddled with big up-front capital outlays—and the business risk they pose—the customer suddenly gains more leverage and control. In the Subscription Economy, a big portion of the risk of not realizing full value from an investment shifts from the buyer to the seller, who must now think about the customer in a whole new way.

There’s another dimension to what we call the Customer First Revolution. This is related to the interconnectivity of billions of individual devices known as the Internet of Things. The IoT—in which equipment and machines of all types interact with other machines (and people) in the cloud—holds tremendous potential for transforming customer relationships.

Imagine knowing whether your customers are actually using your products, how often, and in what areas of their business. Furthermore, what if you knew whether they were getting maximum value out of them? In the Subscription Economy, operationalizing these kinds of insights holds the potential to drive business value and radically transform customer relationships. Indeed, research firm Gartner has predicted that the Internet of Things market opportunity could
be worth $1.9 trillion by 2020, a prediction that is looking to be right on track.¹

**How to Compete for Customers: Our Central Thesis**

What we’re suggesting is this: In the future, companies will no longer be able to sell, market, and service the old way. Not that you need to throw out all of those trusty truisms. “Focusing on the customer” makes as much sense today as it did in Henry Ford’s day. Only now, to win in the battle for customers, you will need to do more than sharpen your focus. You will need to deliver on your claims continuously and convince your customers that you have done exactly that every single year when you re-apply for the business you won just twelve months before.

This leads to the central thesis of this book: The ability to succeed in this new economy will depend on how well you sell and deliver measurable business outcomes to your customers. Indeed, we believe that constantly demonstrating delivery of customer value may be one of the few ways companies can attract and retain customers over the long-term. Gone are the days of sustainable competitive advantage. If you’re not generating tangible value for customers, you’re at risk of losing them.

Are your customers truly benefiting from your products and services? Are you doing enough to ensure your customers are successful? Can you measure what success looks like for them? These are questions we believe must be top of mind for business leaders today.

The answers to these questions will be different for each company. Underneath these differences, however, is a set of core customer-centric principles and practices that we believe apply across every business organization. These principles comprise a critical new capability we call “customer success delivery.”
Specifically, we define customer success delivery as a disciplined way of making your customers’ success and measurable business outcomes part of your corporate DNA. In our view, every function in your organization that impacts the customer—including but not limited to sales, marketing, service, support, and engineering—must make customer success a central tenet of their charters. And they must do it together. Five separate customer success strategies will not yield results.

The Three Pillars of Customer Success

Our goal is to provide business leaders with a practical guidebook including proven practices for making customer success a core part of your organizational DNA. In the chapters ahead, we’ll explore three critical capabilities—or pillars—that we think are absolutely essential to prospering in what market researcher Forrester calls the Age of the Customer. These are the pillars:

- **Listening.** Learn how to be completely plugged in to your customers and understand exactly what they need, how their needs evolve, and what it means for them to be successful with your products.

- **Engaging.** Find out how to start a productive dialog with customers, collaboratively solve problems, and embed yourself into your customer’s business.

- **Ensuring.** Promote customer loyalty with innovative strategies and techniques that help you deliver on your promises and increase the likelihood that your customers realize the value expected from using your products.
For each pillar, we offer a real-life case study of an organization that excels in one or more of these capabilities. Some have restored trust frayed from years of neglect, fueling new sales. Others have leveraged feedback from customers to design enormously successful new products.

To be clear, we’re not recommending that you abandon your existing customer-oriented efforts, such as your loyalty programs, your “net promoter” scoring systems, or the like. Rather, we are advocating that you make a serious effort at understanding and measuring how much value your customers are currently realizing from your products and services, and take concrete steps to enable them to reach full potential. If that means integrating these principles into existing customer programs or creating a separate customer success organization, that is something business leaders must figure out for themselves in the context of their organization’s unique culture and market environment.

**Outcomes First**

Our approach stands out from other frameworks for understanding customer relationships in one significant way: It puts *business outcomes* front and center in how you market, sell, support, and create products for customers.

In *Competing for Customers*, we blend insights from top experts with our own firsthand experience in industries ranging from high technology to retail. Each of us brings a unique perspective to the subject—and we also hold some pretty strong convictions formed over decades of working with customers inside leading global companies. Jeb Dasteel is chief customer officer of Oracle, one of the world’s largest providers of business software and hardware. Amir Hartman is the best-selling author of the Ruthless Execution series and the book
Net Ready; former faculty member of the University of California, Berkeley’s Haas School of Business; and co-founder of Mainstay, a leading Silicon Valley consulting firm. Craig LeGrande, co-founder of Mainstay, co-author of Ruthless Execution II, and author of numerous industry strategy papers for top technology firms, has more than two decades of management consulting experience for Fortune 500 clients.

All of us share a passion for understanding customer relationships. We’ve made careers out of figuring out what drives customer behavior: what attracts customers to vendors, what makes them buy, and what sustains their loyalty over time.

We’d love to hear what you think about the ideas we lay out in this book. Please share your thoughts by going to our website www.competingforcustomers.com, where you can also sign up for our Competing for Customers e-mail newsletter.

Endnotes


Though it may seem like an old-school truism, it has taken businesses quite a long time to realize the importance of “putting customers first.” But they are starting to finally get it. Indeed, as we’ll explain shortly, they may have no other choice if they expect to survive the onslaught of two “meta trends” we describe in this chapter.

Over the years a lot of companies have spent significant sums in their effort to understand their customers. Many were inspired by the ideas of Don Peppers and Martha Rogers, whose groundbreaking book, *The One to One Future,* introduced the world to the concept of customer relationship management.

Peppers and Rogers were followed by authors like Frederick Reichheld of Bain & Company, whose seminal works *The Loyalty Effect* and *The Ultimate Question* introduced now-standard concepts such as customer loyalty, and promoted creative strategies for retaining customers.

Although these pioneering works provided motivation for a generation of business leaders to turn their attention squarely on the customer, we propose that companies today will need to do even
more—indeed, to think about customers in an entirely new way—if they expect to reap Henry Ford’s supersized profits.

That new way of thinking about the customer is embodied in a set of principles and techniques we call customer success delivery. Specifically, we define customer success delivery as the ability to quantify and communicate the value of your product or service consistently and continuously, from before the sale to long after, while measuring and delivering on the promise of enabling business outcomes.

Why is mastering the art of customer success delivery so important and so urgent? Simply speaking, it’s because we believe it will be an indispensable capability for thriving in the face of two meta trends of the next decade: the Customer First Revolution and the Subscription Economy. In this chapter, we will explore both of these uber-trends—along with a handful of derivative movements—that are rapidly defining the competitive landscape for the near- to midterm future.

### Growing Gap

The gap between today’s business activities and reaching the goals of customer success remains large. According to recent research from Peppers & Rogers,

- 48% of respondents (out of more than 100 enterprise business decision makers, 2012) stated they had not made any attempts to correlate customer experience (success) with business performance outcomes.
- 41% stated they are currently examining correlations between customer experience and business performance outcomes (e.g., shareholder value, revenue generation, customer acquisition).
- Less than 10% carefully monitor and act on customer experience information gathered across all touch points.
To better serve their customers, more companies are forming teams specifically focused on driving customer success. Signaling the strategic importance of the effort, companies are now placing these teams under the direction of top-level company leadership. A great example is Oracle’s customer success program guided by our co-author Jeb Dasteel, Oracle chief customer officer.

**Meta Trend #1: The Customer First Revolution**

As the title of this book suggests, we’re in the midst of a revolution—one that is shaping up to be one of the biggest forces influencing how you compete for customers—indeed, how you run your whole business—over the next decade. We call it the Customer First Revolution.

If you’re an earlier-generation business, the Customer First Revolution changes the rules of the game completely. Sure, you’ve always wanted to nurture great relationships with customers, but at the end of the day, you’ve always been the one who sets the terms of the sale and the direction of the relationship. What the revolution decrees is the opposite: Now (for reasons we’ll explain below), it’s the customer who sets the rules of engagement. In other words, after decades of subservience to the seller, the customer has finally become the proverbial king!

- Only 39% of respondents said that they are achieving the kind of progress they expected due to issues such as siloed data across functions and channels.
Customer First Companies Perform Better

Business-to-consumer (B2C) companies were the first to see the tables turning when social media and other digital channels burst onto the scene a decade ago. These new tools and tactics, which customers eagerly adopted as a means to level the playing field against sellers, forced B2C companies to radically rethink their marketing and sales strategies.

Market analyst Forrester Research, which coined the term “the Age of the Customer” to describe our revolutionary era, discovered an interesting fact about this trend: B2C companies that learned to embrace these next-generation tactics—and used them to improve the customer experience—gained a dramatic performance edge over those that didn’t. Indeed, they outperformed the average company by a considerable margin and outperformed laggards by more than a factor of three (see Figure 1.1).

![8-Year Stock Performance Chart](image)

**Figure 1.1** Customer First companies outperform the rest.
Mastering Your Digital Identity Is Critical

The Customer First Revolution puts a premium on all things digital, and for good reason: Increasingly, your customers are digital animals, and they increasingly relate to your business and brand on a digital terrain. It’s no exaggeration to say that your customer to a large extent defines your brand through digital vehicles and channels such as Facebook, Foursquare, Twitter, LinkedIn—the list grows longer every day.

It is now estimated that some 15 million consumers engage with their brands through social media before making a buying decision. And that number is fast-growing, with B2B customers trending similarly.3

In the digital- and social-powered Customer First Revolution, consumers will interact with your digital identity even before visiting your brick-and-mortar location. It is also a world where relevance and authenticity trump prepackaged, one-size-fits-all content. Companies that master the art of creating and managing a compelling digital identity will have the upper hand in the Customer First Revolution.

Local Beats Corporate

Delivering relevance and authenticity will mean that it’s not enough to have a slick corporate website. In the Customer First Revolution, your local digital identity matters more. That refers to all the social media activities and chatter tied to your neighborhood stores, franchises, and branches—the places where your customers shop, eat, and hang out.4 This is where opinions about your brand are formed, and then shared far and wide over the digital airwaves. Nowadays, before you dine out—or sign up for a health club—chances are you’ll check the customer reviews on social media and get directions while you’re at it.
So crucial is this local angle that we’re seeing a new discipline emerging around managing a company’s local digital presence, or “digital place identity.” And it is serious business. We recently talked to a national restaurant chain that initially failed to pay attention to the Facebook pages of its local eateries. As a result, it left a digital brand vacuum that was filled by “rogue” pages filled with a hodgepodge of negative and even false reviews cooked up anonymously. Its digital brand had been hijacked, and sales suffered for months.

Going Local Pays

In a pilot program, a national restaurant chain recently compared the performance of locally targeted Facebook content against a control group without any managed local social presence and found significant improvements, including the following:

- 650,000 unique local customers reached
- 7,200 net gain in transactions
- 7.1% net increase in revenue
- 30x higher return on investment

B2B Customers Are Seizing Power

Although consumer-focused companies were the first to be swept up in the Customer First Revolution, we’re now seeing this same shift in power spreading into the business-to-business (B2B) universe. And we are seeing the same advantages accrue to B2B companies that embrace the shift to customers’ digital experiences—for example, by launching social channels targeting key customer segments. Parallels to the consumer sector abound, though with some subtle differences. Instead of Facebook or Yelp, for example, business buyers prefer B2B-oriented channels such as LinkedIn and IT Central Station.
Buying Happens Even Before the First Phone Call

The revolution is leading more B2B buyers to shun vendor sales reps in favor of company and independent websites. In a recent survey by Forrester Research, B2B buyers said by a margin of three to one that gathering information online is actually superior to interacting with a sales rep. Furthermore, these same buyers said by a margin of 59% to 19% they did not want to interact with sales reps as their primary source of information. Three quarters of B2B buyers in another Forrester survey said they researched half or more of their work purchases online, with the top source of this research being vendor websites.

With the lion’s share of research being done online, it’s estimated that 70% or more of the buying decision happens before the company is contacted directly. Armed with intelligence and candid insights gleaned from social media, the Internet, and analyst research, business decision makers are more likely to home in on one or two providers that can meet their needs. This makes it even more important for sellers to develop a compelling value proposition and disseminate it strategically across digital and social media networks.

Meta Trend #2: The Subscription Economy

Why own when you can rent? That’s the sentiment of more and more businesses these days when it comes to acquiring everything from the software that runs your company to the boost in power you need from your wind farm. We believe this shift in mind-set and buying habits represents nothing short of a sea change in the structure of the modern economy, and we rank it alongside the Customer First Revolution as one of the two meta trends that businesses must come to grips with in the coming decade.
We define the Subscription Economy as the fundamental transformation from an economy based on high capital-intensive sales of products into an economy based on services that you pay for as you use them, or as specific outcomes are realized.

The Subscription Economy, as a pervasive phenomenon, is still in the early innings, but its growth is visible all around us and massive disruptions are sweeping through key industries from high tech to transportation to manufacturing. One of the best-known examples is the software industry, which is currently witnessing a major shift from packaged software to “cloud subscriptions.”

If you intend to win the competition for customers, you would be smart to understand why businesses are flocking to the subscription model of doing business, and begin to think creatively about how you can make your own business “subscription friendly.”

**The “Cloudification” of Business**

A key driver of the Subscription Economy is a critical new business capability we call the “cloudification” of business—a term coined in the book, *Ruthless Execution, Second Edition*. What does it mean to “cloudify” your business? It means digitizing your products and services and transforming them into an offering—or platform—that is accessed over the Internet. In some cases companies establish a marketplace by “opening up” their product, turning it into a broad platform on which others can add value and new offerings. Cloudifying your business provides a new way to stay closer to your customer. It has clearly become the third wave of the Internet revolution, in which products and services are put on the cloud for customers to use as needed.
Investment Equations Will Be Radically Realigned

The significance of the cloudification of business is far-reaching and anything but trivial, since many established business models and partnerships will be rendered obsolete. First, it radically changes the investment equation for customers by lowering up-front capital requirements. This has the advantage of better aligning the customer’s investment with the returns. Instead of paying for most of the investment up-front in the hope that it will pay off down the road, now your customer’s investment costs are spread over the life of the solution and are more in line with the incremental benefits they see from your solution year to year.

Switching Costs Don’t Matter Anymore

One of the strongest attractions of the Subscription Economy is this: If you ever find you’re not seeing enough benefit compared to what you’re paying, it’s relatively easy to “unsubscribe” and shop for a new service. What this means is that across many industries a long-standing strategic force and pillar of protection—switching costs—is being marginalized. We’re not suggesting that switching costs are dead. In industries where large and expensive physical assets are involved, switching costs will still be relevant; however, the influence to shape vendor performance and expected business outcomes will significantly increase for customers. Increasingly, industry leaders will need to design new incentives for staying—such as providing a clearly superior customer experience—but the cost or hassle of switching won’t be one of them. Instead, companies will need to develop an ongoing stream of new capabilities to deliver value.


**Barriers to Entry Will Crumble**

Just as the barriers to customer defection are eroding, so too are the traditional obstacles to competitors invading your turf or creating a whole new market seemingly out of nowhere. A great example is Amazon. The Seattle-based behemoth started off as a bookseller before extending its web platform to include just about anything you wanted to buy on the planet. Then in 2003, while retooling its data centers to improve its Web application, Amazon discovered it could take some of the computing power in the revamped centers and “rent it out” through the cloud.

Practically overnight, Amazon Web Services (AWS) was born, and it swiftly skyrocketed to become one of the biggest forces in cloud services. Netflix, to take one example, now runs its streaming video services over bandwidth it rents from AWS. *Forbes* magazine recently declared AWS the “largest public cloud vendor on earth,” leaving entrenched computing giants like IBM, Oracle, and Microsoft scrambling to catch up. In the Subscription Economy, traditional barriers that incumbents depended on to fend off upstarts have melted away.

**Products Will Morph into Services**

The spreading Subscription Economy will see more products being refashioned as services. Just “taking delivery” of equipment is no longer good enough for customers who increasingly prefer to shift the headache and risk of maintenance and breakdowns to the vendor. That’s why companies like Rockwell Automation—profiled in Chapter 9, “How Rockwell Automation Measures Success”—are reinventing their factory automation products, incorporating Internet of Things technologies so that assembly-line machines can monitor themselves, self-install new software, and preempt breakdowns.
without ever bothering the customer. It is a far more servicelike experience, saves time and money, and also manages to create a new kind of “stickiness” that dissuades customers from straying to the competition.

A different example is Cisco, which has been the dominant player in the computer networking industry for the past two decades. For years the company’s primary source of revenue had been physical gear like routers and switches that companies install in their data centers. But with more customers preferring to rent computing power, Cisco has begun offering the equivalent of “networking as a service” in which Cisco owns the networking infrastructure, monitors its performance, upgrades it, and adds bandwidth as needed—all from a remote command center. Cisco expects this portion of its revenue stream to continue to grow over the next decade, perhaps soon rivaling its traditional hardware sales.

**Delivering Outcomes Will Be Critical**

The Subscription Economy, with its “what have you done for me lately” culture, will shine a harsh light on business outcomes. Is your customer able to reduce costs as promised? Get more output out of your machines? Cut downtime as expected? Drive new revenue? The new “as a service” economy puts less emphasis on the particular product you’re pedaling and more on what it can do for your customers. Increasingly, your customers don’t care about your products, but about the business outcomes that matter most to them. That’s why the most innovative enterprises on the planet are focusing on selling and delivering business outcomes. We’ll profile several of these outcomes-centric companies in the pages ahead.
Why Customers Love to Subscribe

The Subscription Economy gives customers key advantages over traditional investment scenarios:

• **Minimal upfront capital requirements.** Companies typically treat subscription costs as an ongoing operating expense, and often pay only for as much as they use.

• **Hold vendors’ feet to the fire.** Since customers pay as they go and can switch with relative ease, they’re in a strong position to demand the most from vendors.

• **One throat to choke.** Subscriptions typically come with all the supporting services bundled in a turnkey package provided by a single company. That means just one vendor to hold accountable.

• **Focus on what matters.** Subscribing to a service frequently allows companies to offload the burden of managing a complex operation, letting them specialize in their areas of competitive advantage.

• **New features continuously delivered.** Cloud providers have universally adopted a strategy of continuously delivering new features, or capabilities, throughout the life of the subscription.

The emerging Subscription Economy and Customer First Revolution will force businesses to take a hard look at how they are currently doing sales, marketing, product development, services, and support. In many cases, long-standing processes will need to be reorganized and transformed. For example:
• Sales teams will need to shift some of their focus from inking a deal to proving business value to customers. Doing this early on will open up opportunities for additional sales. Teams will need to remain vigilant year-round, especially as renewals loom, and be prepared to show continuing value delivery to minimize churn.

• In a similar fashion, marketing groups will need to reorient their campaigns around longer-term relationships that require constant nurturing to avoid defections. So marketing becomes less about nurturing leads and more about nurturing relationships. And companies will need to market the advantages of “maturing” with their solutions.

• Professional services and product development teams will see dramatic changes as well, with a new emphasis on collaboration with customers and business results.

• Operations and support teams will need to be more proactive than ever before, constantly monitoring key performance data and using predictive analytics and possibly embedded sensors to ensure that the solution is meeting expectations.

Is your business ready to take on the Customer First Revolution? To thrive in the Subscription Economy? In the next chapter, we’ll share with you three key capabilities that we believe are essential to succeeding in the new customer-centric, outcomes-focused, subscription-powered world. These include new skills and processes for listening to your customers to uncover what matters to them; engaging them creatively and authentically to build credibility and loyalty; and finally ensuring that the outcomes you promise are fulfilled—perhaps the most critical but also the most difficult skill to master. Across each of these areas, we will also stress the importance of measuring to accurately define your customer’s challenges and the value you’re delivering.
Overcoming Barriers to Success

As the two significant waves of change described in this chapter—the Customer First Revolution and the rise of subscription business models—continue to make their way through the economy, some companies will flourish and others will struggle. To succeed, companies must overcome the following challenges:

**Challenge #1: Breaking Down Information Silos**

Many B2B firms are still too compartmentalized and lack efficient systems for sharing information across departments and with outside partners. This frequently leads to embarrassing knowledge gaps and crossed wires, with customer relationships invariably suffering. Customer executives complain about mixed sales messages; internal disagreements; frustrated channel partners; and even internal competition surfacing in front of the customer. As you take stock of your business communications infrastructure, consider looking at technology solutions that compile multiple streams of customer data and can serve as an early warning system to spot customer attrition as well as sales opportunities.

**Challenge #2: Bucking Old Marketing Habits**

Marketing and sales teams still focus too much on hyping features and functions of products, and not enough on what customers want the products to deliver in terms of business outcomes. Common bad habits include producing too much marketing fluff, creating content that is too technical, and failing to paint the bigger picture for customers. For example, a university looking to build a “classroom of the future” isn’t interested just in purchasing video equipment but in linking video to other classroom technologies such as digital whiteboards, learning management systems, and desktop apps in the cloud. Make a conscious effort to position your company not merely as a practical tool but as a strategic enabler in a larger world.

**Challenge #3: Thinking Beyond the Transaction**

Companies continue to remain too focused on closing the deal instead of helping customers realize the business value promised.
To make the sale, companies will often marshal a parade of experts from engineers to executives, only to move them over to the next deal after the contract is signed. Such transitory deal focus is myopic and can lead to poor results, including higher service costs, greater churn rates, and a tarnished brand. Few companies realize the full potential value of technology investments. Increase the odds of better results by structuring sales engagements to ensure that teams stay connected to the customer well after the ink dries on the contract.

**Challenge #4: Building an Effective Ecosystem**

You might say it takes a village to ensure customer success. The reality is that the ability to assemble an efficient and motivated network of go-to-market partners is key to providing a complete array of auxiliary products and services that customers need in order to cover all the bases in a growing global marketplace. New automated third-party management platforms can streamline your partner ecosystem and reduce common compliance and performance risks.

**Challenge #5: Delving Deeper Than Customer Surveys**

Most customer experience and success programs focus on assessing the happiness or satisfaction level of a customer. That’s a necessary first step, but surveys rarely provide a complete picture of the customer experience, a gap that can come back to bite you. The fact is, most surveys only reveal overall customer sentiment and technical problems with your product, and they generally miss deeper issues like a faulty licensing model or poor ROI. This shortcoming could be corrected—and customer leakage prevented—by a more sophisticated customer feedback program and investing in business case and benefits realization capabilities. Furthermore, it’s to your advantage to build systems now that can collect, analyze, and react to the growing flow of customer service and product performance data that will become available as the Internet of Things continues to gain traction.
Endnotes

1 The One to One Future, Don Peppers and Martha Rogers, Crown Business, 1993.


3 “Social Media: You’ll Like This,” CPCU Society, 2014.

4 In fact, our research found that an estimated 40% of national brands have unauthorized duplicates of their locations on Facebook and Foursquare.


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