



**MORE Powerful Marketing Minutes**  
50 New Ways to Develop Market Leadership

## **Book Excerpt**

### **Chapter 31**

#### **It's Your Customers, Stupid**

Many political pundits cite the phrase, 'It's the economy, stupid' for the demise of the first Bush administration and the subsequent loss of the White House by #41 to the team of Bill Clinton and Al Gore.

In a similar fashion, the death knell for many CEOs will come when their boards finally stand up and collectively shout, 'It's your customers, stupid!'

Managers have focused for most of the past decade on increasing shareholder value through mergers, acquisitions, cost and staff reductions, and a whole host of financial gimmickry. Senior management has focused more on the share price than on customer share. In a typical MBA program, there are more courses on financial management than on marketing. Even the so-called CRM (customer relationship management) movement has been preoccupied with selling more to customers than in determining how to truly develop and deepen relationships with customers.

A headline in The Australian in mid 2001 neatly sums up the situation: "The pursuit of profits over customers has left Coles Myer in trouble." The article highlights how this major supermarket and department store chain in Australia has lost its customer focus, lost its loyal customer base, and has now lost its profitability.

This famed Australian institution (the other headline of the story reads "The retailer's grand old dame falls from grace") has apparently lost its way. According to the article, "It was just about a year ago that senior managers could be heard boasting how they had successfully cut costs to the bone by reducing staff and service levels."

Like most customers, I wouldn't want to shop where staff and service levels have been cut to the bone. Apparently, many Australians feel as I do, hence the problems for Coles Myer as cited in the article.

As an investor, I wouldn't invest in a company that is reducing service levels to its customers. I would suggest that nor should you.

A report by PriceWaterhouseCoopers clearly stated, 'A single-minded focus that seeks only to satisfy shareholders may ultimately lead to crises and erosion of shareholder value. It seems to me that the Board and senior management of Coles Myer, and many other Boards and senior management teams as well, would greatly benefit shareholders if they understood this concept better.'

In another example of why a focus on the customer is so important, the cover story in The Economist (July 14-20, 2001) was titled Keeping The Customer Satisfied and looked at trends in mass customization. The editorial read:

'In the end, durable customer relations are only partly about clever technology, however imaginatively used. Mainly, they require relentless attention to detail: good products, prompt service, well-trained staff with the power to do a little extra when they judge it right to do so. No wonder firms that send you away with a smile on your face are so rare.'

As my personal marketing philosophy attests, 'If it touches the customer, it's a marketing issue™.' The true purpose of business is to create and keep customers. That's the best way to create shareholder value. Especially long-term shareholder value.

**KEY POINT:** Creating customer loyalty requires attention to detail, good products, prompt service, and well-trained, empowered staff.

**TAKING ACTION:** What is the focus of your management meetings – financial reviews or customer needs/market reviews?

Does your organisation treat customer requests as a 'pain in the neck' or as an opportunity to deepen your understanding of how to satisfy customer problems?

Are you reducing or increasing service levels to customers? How can you further increase the level of service being delivered today?

*This Chapter is excerpted from MORE Powerful Marketing Minutes by Steven Howard.*

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