



Article Reprint

Changing Customer Values by Steven Howard

The forces reshaping the world economy today are more numerous, more interwoven and combine to be more powerful than any other combination of economic and political change since the Industrial Revolution.

Change is happening so rapidly that the countless reorganisations, restructures, down-sizings, mergers, break-ups and new business start-ups make the business community seem almost out of control.

Is it at all surprising, therefore, that your customers are also simultaneously undergoing vast amounts of change as well?

The customers of the 21st century will continue to present a vast array of challenges and opportunities. However, these challenges and opportunities are unlikely to be as apparent and as stationary as in the past. Understanding the customers of the future will definitely require hitting a moving target!

I see six key areas where customers are most likely to focus their value judgements in future:

1. Relevant features and functions and ability to customise solutions
2. Choices and Flexibility
3. Relationships based on trust and rewarded with loyalty
4. Sufficient knowledge and information
5. Complete and full satisfaction
6. Speed and convenience

Obviously, these categories will not apply equally to all. Also, it can be anticipated that individual customers will use different value judgements for different product and service categories.

However, these six areas are likely to cause the most dramatic shifts in customer buying behaviour and habits. As a result, they are also likely to have the most dramatic impact on forward-looking organisations as these adapt their product offers and service delivery processes to meet these changing requirements.

Customer-centric organisations will use an understanding of these changing customer values to create the most successful and dynamic businesses of the future. These customer values will drive customer expectations in the future, and hence will determine which products and services succeed in the market place.

Let's take a look at these six core customer values for the 21st century.

Relevant Functions and Features and Ability to Customise Solutions

The old school of manufacturing and marketing was to pack as many features and functions into the product and then let the customer choose which ones they want to use.

This strategy will no longer win you loyal customers, particularly with the astute customers of the 21st century.

Customers of the future will want to have more say in which features and functions are loaded onto their products. Dell Computers created an entire new business model by giving customers the opportunity to select which features and functions to be put into their computers.

Dell has changed the concept of these machines from personal computers to *personalised* computers, and changed the industry in doing so.

It won't be long until the same customised manufacturing process is applied to many other industries. I, for one, would like to be able to dictate which features my mobile phone has. The model I currently use has several features for which I have no current or anticipated use. Wouldn't it be wonderful if I could eliminate some of these and either save money or have these replaced with features I truly desired? Yes, it would and the customer-centric mobile phone company of the future will figure out how to supply and satisfy this desire.

This is not to say that customers of the 21st century are not going to be price or cost conscious. Rather, I would project that the customers of the future will be extremely "value conscious," in that they will seek the best value-for-money option made available to them.

The benefit to marketers of this particular changing customer value criterion is, for those who get the manufacturing equation right, higher margins and higher profitability. After all, if you are delivering value, and above all *personalised* value, then you have the opportunity to be charging at value pricing rates.

Choices and Flexibility

Customers of the future will continue to place a high value on choice and flexibility.

We are seeing this trend already today, as an increasing number of products are marketed like Swatch watches – in a multitude of styles, models, colours, and interchangeable options. Even the Apple iMac computer seems to have attracted

buyers just as much for its fashionable designs and colour options as for its computer prowess and chip speeds.

Your customers are likely to expect a wide array of choices and variety in the products you market. However, many managers and marketers fail to understand that variety is not the same thing as customisation. Offering a variety of options is one strategy. Providing customisation is entirely different.

In terms of flexibility, customers of the future will place a high value on organisations that have flexible policies and procedures. One of the most hated phrases customers hear is "it's our policy." That simply tells the customer that you are not recognising him or her as an individual with individual needs. Rather, the organisation is saying that the customer is no different from any other customer and hence must conform to the organisation's stated policy.

Companies that can train and empower their people, particularly their front-line people, in interpreting and applying corporate policies as guidelines will in turn generate higher levels of loyalty and repeat business from customers.

Trust and Loyalty

Is there a lack of trust by customers, particularly consumers, in business today? Admittedly, the answer is yes.

The combined effect of product-tampering problems, toxic-shock syndrome, the Perrier recall, mad cow disease, hepatitis-infected fruit given to school children, the health scare in Belgium when children got sick from drinking Coca-Cola and numerous other safety scares has left consumers in a quandary about who and what to trust.

Will the customers of the future reward trust with loyalty? I believe they will. Loyalty, however, cannot be bought. It has to be won. It has to be earned. True loyalty will not result from reward schemes and customer loyalty point schemes.

Loyal customers are created through consistent product quality, brand characteristics, and service excellence received each time a purchase is made and each time a product is used or consumed.

Consistent delivery of these three attributes builds trust. Consistent receipt of these three attributes will lead to repeat purchases, which in turn lead to brand, product, and corporate loyalty. Customers of the future, like customers today, will place a higher value on the brands and companies they trust.

Why will trust will be rewarded with loyalty? Because it's usually in the customer's best interest! After all, for the customer, trust:

- shortens and simplifies the buying decision process,
- creates rationales and emotional criteria for repeat purchases,
- creates rationales and emotional criteria for product and brand loyalty

In other words, trust not only simplifies the buying decision process, it also saves the customer time and mental aggravation over having to make a decision. And the one thing we all say we're short of is time! Anything that can save the customer time and anguish are sure to be seen by the customer as highly valued benefits.

Knowledge and Information

The customers of the future will be highly knowledgeable, even more so than today. And, they will be used to making purchase decisions after having done thorough research and investigations into the multitude of options available.

As a result, they will place a high value on organisations and products that provide them with full, or at least sufficient, knowledge and information while they are in the research phase of the buying process.

Will the access to information make customers even more price sensitive, and price knowledgeable, than they are today? Undoubtedly yes, at least to an extent.

However, as it is today, price is not always the key or final determinant in the purchase decision. Some customers, of course, only buy on price. But those tend to be your lowest margin customers anyway. So unless you're in a massively high-volume business, low-margin customers are not the best ones to have around anyway.

Understanding the need of 21st century customers for ready access to information, organisations will need to adapt their customer support operations accordingly. Being open only during the so-called "business hours" no longer applies. Business in the Internet Age is 24x7, public holidays included.

Complete and Full Satisfaction

Customers of the future are likely to have one characteristic in common – the desire for the products and services they purchase, and use, to deliver complete and full satisfaction.

For this reason, it is easy to anticipate that customers of the future will place a high value, perhaps the highest value, on products, services, and organisations, which consistently deliver complete and full satisfaction.

It will be the total experience with the product or service that will count – beginning with the search for information right through to usage, disposal or return.

As I've said and written before, the customers of the future will want full satisfaction, not merely customer delight or customer service that "knocks their socks off." Quite frankly, I think most customers would prefer to keep their socks on!

Likewise, products and services that appeal to several senses will do better than those that appeal to only one or two. Note how the Apple iMac changed the computer industry overnight just by adding a splash of colour to our previously monotone desktop PCs. Many of you will soon be selling "experiences," not just products or services!

Speed and Convenience

There are three key areas concerning speed and convenience that customers of the 21st century are likely to value the most:

- shorter product cycles
- shorter order lead times and faster delivery times
- smaller quantities per order

It might seem like shorter product cycles would be a negative for customers, but I don't think it will be for most. The key advantage for customers of shorter product cycles is that putting off a buying decision becomes less painful. There's no need to order the latest mobile phone, or the latest notebook computer, today when we all know that: a) a newer model will be available within months, and b) the price of today's model is most likely to drop when the next new model appears.

Additionally, for those who can afford it, shorter product life cycles, combined with lower out-of-pocket costs, make it easier to upgrade to the latest model. Hence, it's no big deal for some to buy a new mobile phone every year or so.

However, this is not to hint or infer that the customers of the future will accept shorter life cycles due to poor product quality or short durability. We can actually expect just the opposite to happen ó customers of the 21st century will demand high quality and durability of products lasting well beyond their initial ownership periods.

Both industrial customers and consumers will place increasing value on short order lead times and fast delivery times. For consumers, the ability to shop on the Internet and know that delivery will take place with days is fast becoming an expectation. Woe be it to the organisation that finds itself short of inventory for its electronic customers (something several web outlets experienced during the Christmas season at the end of 1999).

Likewise, industrial customers are apt to order in smaller lot sizes, with frequent orders replacing large ones. It's going to be a world of just-in-time deliveries and customers are going to place a high value on the supplier who can consistently and reliably meet their needs for JIT delivery without being early or late.

Customers want speed, convenience, quality and reliability. Pretty demanding aren't they? But then again, aren't you just as demanding when you're the customer?

Understanding Customer Values

It may seem that customers today are overly confused. In truth, they are confused with regards to the various options and choices available to them, and overloaded by the enormous number of marketing communications messages they receive each day.

However, the one thing they are not confused about is what they value. Their value judgements will be squarely focused on some or all of the value judgements described above.

The key role of marketing people going forward will be in interpreting these changing customer values and understanding what they mean for their own products and services.

The Author

Steven Howard is a Melbourne-based marketing consultant, author, conference speaker, and Non-Executive Director in both the profit and non-profit fields.

Visit his web site, www.howard-marketing.com for valuable information and links on marketing, customer retention, branding, and corporate image management or to sign up for his free weekly newsletter The Monday Morning Marketing Memo and his marketing blog.

He is a positioning specialist, whose 30-year marketing and sales career in Asia and Australia has covered a wide variety of fields, ranging from consumer electronics to publishing and from a national airline to personal financial products.

He is President of Howard Marketing Services, which provides consultancy and project management services in the areas of Marketing Management, Product Development, Positioning Strategies, Customer Retention Strategies, New Product Launches, Event Management and Brand Management.

He consults on a regular basis to companies in the financial services, industrial products, consumer products, restaurants, petroleum, publishing and hospitality fields.

Contact details

Phone: (61-3) 5428-1388

Fax: (61-3) 5428-1399

E-mail: steven@howard-marketing.com

Website: <http://www.howard-marketing.com>

Blog: <http://www.howard-marketing.com/marketingblog>

Free Newsletter: Receive Steven Howard's free weekly marketing newsletter, the **Monday Morning Marking Memo**, by subscribing at www.howard-marketing.com.