Jeb Dasteel · Amir Hartman · Craig LeGrande

Foreword by Mark Hurd, CEO of Oracle

COMPETING
for
CUSTOMERS

Why Delivering Business Outcomes Is Critical in the Customer First Revolution

Foreword

We live in a world where cell phones outnumber the planet's 7 billon 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 the companies on the Fortune 500 list in the year 2000 are no longer on the list. If we look back to 1990, 70 percent 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 last 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 percent of consumers would pay more for a better experience. Amazingly, though, only 1 percent 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 persuading these young and restless workers to build new skills and a promising career with your company over several years; some 60 percent 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: Seventy-six percent 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 No. 1 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 last 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.

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[1] RightNow Customer Experience Impact Report (2012), based on a survey conducted by Harris Interactive.
[2] SHRM, 2013; Tammy Erikson, 2009; Forbes, 2013.
[3] Oracle customer survey, 2014.
[4] Oracle customer survey, 2015.

Read *Competing for Customers* to find out what it takes to make customer success part of your organization's DNA. Use it as your roadmap for navigating the competitive landscape in what the authors call the "Customer First Revolution."

—Mark Hurd, Oracle CEO

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. About how the customer is in charge and calls the shots; that your business is all about satisfying the customer; and that 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.[5] More recently the "customer experience" meme has been grabbing the attention of business executives and marketers alike. The idea that designing a cool web interface or a speedy checkout can ignite sales is everywhere these days. But is that really game changing?

Most companies know intuitively that pleasing customers is good for business. Businesses that sell to consumers – companies like Walmart and Apple – have known this for a long time. By contrast, businesses that mainly sell to other businesses – "B2Bs" – have been slower to grasp this concept. Ostensibly they're all for pleasing customers, but either lack 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, or whether it met expectations.

Lately, even B2Bs are changing their tune. More of these types of companies are paying closer attention to things like customer satisfaction and loyalty, and many have made impressive strides in measuring and analyzing these metrics at 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 *type of person* who's likely to buy your product is likely different today.

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 becoming 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

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[5] Authors Fred Reichheld, Don Peppers, and Martha Rogers come to mind as leading experts in the field.

emboldened by the ease with which you can switch to the competition in what we call the new Subscription Economy (more about that later).

Here's the point: 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 new 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 relate to 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 riding on a giant conveyor belt, sweep through 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. We call it the Subscription Economy – and by this we mean an economy where more and more products and are designed to be consumed "as needed" 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 software 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 sales and HR to graphic design and document processing. "Software," as Marc Andreesen 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 it calls "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 buying bulldozers; you're subscribing to "bulldozer services."

The rise of the Subscription 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 buying products upfront in a single capital outlay, customers will pay for a desired outcome or for a specific usage period – and constantly evaluate whether the subscription is worth renewing. Under this scenario, your "sale" is no longer a one-time event but a "relationship" that demands continuous care and nurturing if you hope to retain your customers long-term and thereby fully realize the value of that sale. The beauty of this model for your customers is that they pay incrementally for what they need and can secure virtually infinite capacity with very limited risk. And they can switch providers with relative ease.

What this implies is a dramatic swing in the balance of power between buyer and seller. No longer saddled with a big upfront capital outlay – and the business risk that poses – the customer suddenly gains more leverage and control. In a 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 spread of the global machine-network known as the Internet of Things. The IoT – in which industrial equipment and machines 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, in what areas of their business, and how that contributes to their business? What if you knew whether your customers were getting maximum value out of those products? In the Subscription Economy, operationalizing these kinds of insights holds the potential to radically transform customer relationships and drive business value. Indeed networking giant Cisco says the Internet of Things could be worth $19 trillion by 2020, with 50 billion objects connected to the internet by that time. This prediction appears to be right on track.[6] We'll explore this topic in depth later.

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 the battle for customers you will need to do more than sharpen your focus. You will need to deliver on your claims year-over-year.

This leads to the central thesis of this book: the ability to succeed in this new economy will depend significantly on your ability to **sell and deliver measurable business outcomes to your customers**. Indeed, we believe that delivering demonstrable 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, and proving that you are doing exactly that, 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, are a set of core customer-centric principles and practices that we

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[6] Cisco CEO Pegs Internet of Things as $19 Trillion Market, Bloomberg Business January 7, 2014, Olga Kharif, reporter.

believe applies broadly across every business organization. Together these principles comprise a critical new capability we call the "customer success blueprint."

Specifically, we define the customer success blueprint as a disciplined approach to 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, and service and support – must make customer success a central tenet of their charters. And they must do so in a coordinated way.

The Three Pillars of the Customer Success Blueprint

Our goal is to provide business leaders with a guidebook and proven practices for making customer success a core part of organizational DNA. In the chapters ahead, we'll explore three critical capabilities – or pillars – that we think are key to prospering in what market researcher Forrester calls the "Age of the Customer."[7] They are:

- **Pillar 1: Listening** – Learn how to take the pulse of your customers, find out what they need, what it means for them to achieve their desired business outcomes, and what exactly your products contribute to those outcomes.

- **Pillar 2: Engaging** – Find out how to start a productive dialog with customers, collaboratively solve problems, and promote awareness of how you're making a difference in creative and compelling ways that embeds you in your customers' business based on the value you create for them.

- **Pillar 3: 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 that your products are intended to deliver.

For each pillar, we offer real-life case studies of organizations that excel 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. Yet others have found new ways to engage with their customers, resulting in new avenues for strategic partnership.

To be clear, we're not recommending that you abandon your existing customer-oriented efforts, such as your loyalty programs, "net promoter" scoring systems, or the like. Rather, we are advocating that you make a serious effort to understand and measure 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 team, that is something business leaders must figure out for themselves in the context of their organization's unique culture and market environment.

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[7] Competitive Strategy In The Age of the Customer, by David M. Cooperstein, Forrester Research. October 10, 2013.

In *Competing for Customers*, we blend insights from top experts with our own first-hand 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 office of Oracle, the world's largest provider of business software and hardware. Amir Hartman is the best-selling author of the Ruthless Execution series and Net Ready, faculty member of the University of California Berkeley's Hass 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.

We share a passion for understanding customer relationships. We've made careers out of figuring out what drives customer behavior: what attracts them to sellers; what makes them buy; and what keeps them loyal buyers of products and services over time.