



## Competing With Your Customers: Where Strategy Goes Wrong

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Over the last three decades, business has coalesced around one fundamental idea—the pursuit of sustainable competitive advantage. With competitive focus has come a reduced emphasis on the customer. We have elevated competition over commerce. But saying that the purpose of business is to survive and make money is like saying that the purpose of living is to eat. Business has confused means and ends, people and objects—even competitors and customers.

### THE CRM STORY

If ever there was a customer-friendly business idea, it was CRM—customer relationship management. One of three customer-centric Big Ideas (along with customer loyalty and one-to-one marketing), CRM promised real and significant benefits. No more uncoordinated sales calls from 3 divisions of the same firm. No more customer service reps ignorant of what the last rep had said. CRM promised radical savings of time and money, and the basis for truly productive business-customer interactions. The name said it—the **management of relationships with customers.**



Charles H. Green, 2003

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A scant few years later, CRM had one of the lowest customer satisfaction ratings of any major software category. What went wrong? The industry saw it as a software problem—over-hyped product, under-estimated complexity. But the truth is darker.

Here's how CRM was sold.

“Use our CRM product to create customer profitability analyses; fire your low-profit customers, raise share of wallet from the others. Manage your customer relationships to harvest more profits from them.” Is it any wonder that consumers sensed this as the height of cynicism?

It's not just CRM. A Wall Street exec told me, “I like this trusted advisor idea; anything

we can do to increase market penetration and share of wallet, I'm all for it.” When ostensibly customer-centric ideas are routinely and unconsciously co-opted to serve sellers' ends, something is rotten in the state of business.

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Business made great progress in recent decades—consider the evolution of strategic thinking, the application of behavioral and statistical sciences, and systematic approaches to marketing, leadership and communications. Business also attracted the best and the brightest of several generations.

But along on the path to enlightened capitalism, business lost its soul. It stretched the concept of competition far beyond its proper realm. Business-think today fundamentally treats customers either as direct competitors or as means to the firm's end. Customers are objects whose reason for being is to be fought over by competitors seeking “sustainable competitive advantage.”

The competitive paradigm is now counterproductive. In a world of outsourcing, networking, modularization and alliances, we can ill afford mindsets whose default setting is fight or flight. We are living in a relational world, still trying to force those we meet into competitive boxes. The real competitive disadvantage has come to be the over-application of the competitive paradigm.



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### COMPETITION OVER-HYPED: THE HISTORY OF AN IDEA

The competitive paradigm has deep historical roots, both in economic (Adam Smith and Schumpeter) and military/political writers (Sun Tzu, Machiavelli). But it was the leading

business thinkers of today's era—particularly Michael Porter—who put the concept of competition on steroids.

Porter's view—now doctrine in all business schools and executive programs—is a Hobbesian one. Business is defined solely by the struggle for power between the firm and five competitive forces. One such force is the customer.

In other words—in Porter's view **it is the intrinsic nature of business to compete with its**

**customers.** This turns on its head the idea that business exists to **serve** customers. Porter represents the triumph of the competitive paradigm in business theory, a triumph even more powerful for being relatively unnoticed.

Most businesspeople underestimate the power of consultants and business thinkers; they see themselves as non-ideological and action-based. But it is the thinkers who define vocabulary and frameworks for business discussions. Business people who have never heard of Michael Porter are nonetheless strongly influenced by his ideas. The competitive ideology runs deep and strong.

### HOW CUSTOMER FOCUS IS SUBVERTED

In the late 90s, business rediscovered customer-focus. Yet most customer focus initiatives are sabotaged by the dominance of the competitive paradigm. What's left isn't just diluted; it's compromised. Consider:

- The dominant metaphors in business today are sports and war. Business conversations are peppered with athletic phrases, and the language of war permeates much of business terminology, particularly in the US. Neither metaphor contains a customer.
- One of the most popular books of the 90s—"Built to Last"—suggests by its title that the

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highest aspiration of business was reduced to mere survival.

- Most customer interactions occur in sales and customer service. Mainstream Fortune 500 sales programs, in an attempt to move away from “hard sell,” adopted “needs-based” and “consultative” approaches, which are still rooted in the competitive

paradigm. The effect is to make selling more impersonal, and even more manipulative because of the faux veneer of customer focus.

- The 3 major customer-focus initiatives of the last decade (1 to 1 marketing, CRM and customer loyalty) were aimed at helping customers. Each is frequently co-opted by a business culture that uses them as mere tools for competitive success.

Wall Street and Main Street alike do not even notice the irony. In no other aspect of human relationships do we tolerate such blatant treatment of others as means to our own ends. Yet in business, it has become the norm to think that the purpose of customer focus

is to improve our own profits; the purpose of customizing is to increase our own ROE; and the purpose of listening to clients is to get them to buy from us.

It didn't used to be that way; it doesn't have to be that way; and we would be better off in a networked future if it were not that way.

Business should be about customers and relationships. Competition is a way to serve relationships, not the other way round. Stop competing with your customers; serve them.

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