

Who Owns The Customer?

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They say that what goes around comes around. At present there is much discussion in telecoms centring on that hoariest of old chestnuts, "Who owns the customer?"

I am a customer for many different services companies. For example I use telephony, cable TV, mobile and so on, and like millions of other subscribers I both object to and reject the notion that I am the "possession" of the providers of such services.

These days we also often hear of companies that have been bought-out or otherwise acquired just for their customer base. The sort of corporate gobbledygook that often goes hand-in-hand with such take-overs reinforces the erroneous notion that a company's customers can be bought and sold like pork belly futures.

It is evident that some companies completely subscribe to the idea that they can increase market share in this way but the plain fact of the matter is that the customers themselves have the final say in where, when and how they place their business and award their loyalty.

Customers are independent, sentient beings and companies and organisations arrogant enough to ignore that fact do so at their own commercial peril. If customers feel they are being taken for granted or are being treated as some sort of a commodity or resource "owned" by a company that is, after all, supposed to be providing them a service that they are paying for, they will react, often in a highly negative way. And that will inevitably and quite justifiably impact on that suppliers' revenues and profitability.

Why "own" the customer?

The motif running through the rationale of "owning" the customer is that it is a "good thing" per se. However, to determine if this is in fact true it is necessary to analyse exactly what benefits might accrue from such possession.

Let's do so. First off there is usually the automatic assumption that customer loyalty will simply be transferred to the new owners. Well, that absolutely will not to be the case unless the existing brand, products and services continue to be provided and supported pretty much as before.

Second, it should also be borne in mind that the myth of customer loyalty is, in the main, just that - a myth - and alterations in patterns of expectation create what the gurus of the arcane art of churn management call a "trigger".

Companies often mistake repeat buying for loyalty. It isn't, it's habit and a sudden change to brand name, service features or any other part of the product mix is highly likely to trigger a sizeable number of customers to re-assess their buying habits - with potentially costly results.

Third, there's the expectation that ownership of the customer will somehow create higher margins. Not so. According to well-proven marketing theory, the only way to achieve higher margins in a competitive marketplace is through crystal clear market segmentation, targeting and differentiation. That can ultimately lead to a benefit/service cost advantage that will give higher margins and profits but it takes time, effort and resources.

Fourthly, there's the notion that the "ownership" of customers will somehow obviate the requirement to work with partners. This is self-deceiving and very old-fashioned thinking that posits those companies working alone are a) freer and b) able to make more money for themselves because they don't have to share it.

That was true - back then - but now is very much now and partnerships, joint ventures and co-operative working is the way things are done these days - and partners always bring something to the party (specific segment knowledge, innovative services, new technologies etc) that makes the final offer so much greater than the sum of its parts.

Relationships with the customer

So then, it is impossible to "own" customers but, at the risk of sounding like a lead article from 'Cosmopolitan', a company can nonetheless have a meaningful and positive relationship with them.

From the customer's side the relationship is usually one based on an image perceived and constructed over time and from a variety of sources and experiences. It will include items such as:

- Experience of a company's service over time.

- Exposure to marketing communications programmes.
- Exposure to opinion from third parties such as other customers, trade groups, the press and so on.

Perhaps one of the most striking recent example of how powerful image can be comes from a survey of perceived network quality. It seems that in the UK mobile phone users believe that the quality of service on the Virgin Mobile network is superior to the T-Mobile network, whereas those in the trade know that Virgin doesn't have a network of its own but piggy-back's on T-Mobile's physical infrastructure. Thus the perception of difference has nothing to do with network technology and is really all about the consumer's relationship with the supplier.

Think about it. People prefer to buy from companies they believe to be just like them. They like brands that share their values and that, in turn, give them a way to express those personal values to the wider world.

The fact is that some products are more image than anything else. A good example here is the perfume industry where it is usual to begin with an image and then design a scent as a component part of the mix - and not necessarily the most important one at that.

Companies that have a strong image can generate a very strong following provided the marketing mix and target audience is absolutely right.

The trouble is that many companies still believe that once the customer is roped, corralled and branded, he or she will be theirs forever. I'm afraid not.

Take the mobile telecoms industry as a case in point. In the early years mobile operators routinely tied subscribers down and locked them in to long and inflexible contracts that included swingeing penalties for early exit.

Subscribers hated it: they knew they were being had and although they wanted the convenience of mobile telephony they couldn't wait to churn away from their oppressors (for that is how they thought of the network operators) as soon as they possibly could.

The operators' strategy was counter-productive and they found that established subscribers resent over-priced and restrictive contracts and will churn away as soon as possible, while new subscribers simply won't sign-up to them at all. The operator's greed and fear was highly damaging to the very long-term relationships they sought to foster.

The way to establish and maintain a strong relationship with the customer is to:

- Give a consistent, clear message of why customers should buy from you.

- Keep it simple so that "word of mouth" and other third-party communications can be as effective as possible.
- Have as much (relevant) communication with your customers as possible.
- Make the reality of everyday experience with your company match the promise inherent in the image.

A Lesson From History

Personal computers first hit the market at the beginning of the 1980s. To begin with there were a number of competing operating standards but it didn't take long until it became evident, as surely will be the case with broadband and 3G, that most of the profit was to be found with the "content" or the application software.

Several companies, such as Apricot, offered a complete package that included software and everything else needed for the office environment. And they offered an excellent all round deal.

To begin with things went very well but over time it became more difficult to keep up with the wealth of functionality offered by third-party developers for more open and widespread environments such as MSDOS. It also became very clear that vertical market segment applications were just not cutting the mustard.

The attempts by the PC vendors to own the customer completely resulted in poor offerings in comparison with the alternatives, As a result Apricot and other early big names failed and exited the marketplace.

It turned out that for PCs there was no single, killer application. There were many, and there was no way that PC manufacturers, on their own, could cover them all.

Being Partner Friendly

The only logical approach in today's sophisticated, discriminatory and mature market is to be a partner-friendly as possible. The easier you are to work with the more the more third parties will want to work with you, the more customers will sign-up and the more profits will follow.

To be easy to work with a number of strategies could be adopted. For example you might:

- Provide flexible charging capabilities. Give specialists all that they need to support their business through your channel
- Make your network platform as open as possible, perhaps using the JAIN SLEE Open Standard which will make it easier for third parties to develop applications for your network
- Make your brand strong and keep the relationship with customers vibrant and healthy. Offer unique packages or channels to suit particular segments. This strength will do more than anything else to make you attractive to partners.

Mind Share

Total ownership of the customer is neither possible nor desirable. However, if you can reach the point where, whenever customers think of the product category you serve, they immediately think of you, then you possess something of inestimable value. You own the product position. It's worth its weight in gold and once you own it, it will be extremely difficult for anyone else to take it away from you.