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Best Practices: Customer-Centric Marketing

by Peter Kim

for Marketing Leadership Professionals



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How to Make Customer Centricity Real

by Peter Kim

with Elana Anderson and Sarah Glass

EXECUTIVE SUMMARY

The four P's are no longer an effective model for marketing organizations. Mass media is challenged to reach customers effectively, while emerging channels and technology increasingly shift power away from brands. Today, customer-centric marketing is the new model for marketing effectiveness. But to make customer centricity real, marketers must implement best practices in metrics, culture, and technology.

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NOTES & RESOURCES

Forrester interviewed 10 user companies and vendors, including Del Monte, Disney, IAC/InterActiveCorp, JetBlue Airways, MarketTools, Orbitz, Umbria, Wachovia, Wells Fargo, and Yahoo!.

Related Research Documents

["Eight Marketing Technologies That Enable Customer Centricity"](#)

June 5, 2007

["Reinventing Marketing For Customer Centricity"](#)

May 17, 2007

["Reinventing The Marketing Organization"](#)

July 13, 2006

THE FOUR P'S ARE NO LONGER AN EFFECTIVE MODEL

The four P's — product, place, price, promotion — have been used for the past 50 years as the model for operating a corporate marketing function. However, marketers must realize that consumer packaged goods companies originally formulated this model to optimize product-centric decision-making, and it is no longer an effective model to drive the marketing function today. Why? The 4 P's model doesn't acknowledge that:

- **Mass media is no longer the way to reach customers effectively.** Consumers are spending less time with mass media channels and more time on the Internet. Since 2004, the number of hours that consumers report spending with TV, radio, and print has decreased every year, while time spent with the Internet has increased rapidly (see Figure 1). Meanwhile, media spend has not shifted accordingly; although advertisers have increased their Internet budgets, they have not changed their level of spend on mass media channels.¹
- **Consumers hate advertising.** Consumer attitudes toward advertising have declined dramatically over the past four years. Consumers have little trust in the veracity of marketing messages — only 6% of consumers agree that companies generally tell the truth in ads.² A majority of households have registered for the Do Not Call Registry, installed spam filters, and implemented pop-up blockers, while digital video recorders with their much-loved ad-skipping feature are rapidly moving toward mainstream adoption.³
- **Companies no longer control their brands.** With the rise of Social Computing, consumers demonstrate greater control over brands.⁴ The positive and negative opinions of everyday consumers are now captured in blogs and online video, archived and indexed by search engines for the world to see. Segmentation, targeting, and positioning strategies formulated for mass media have limited impact in a world where consumers have access to more information than ever and reinvent themselves across different social networks. A fun-loving college student may have a party profile on Facebook while building industry connections on LinkedIn and displaying subject matter expertise on Yahoo! Answers — potentially with different opinions on the same brand, depending on which circle of influence is involved.

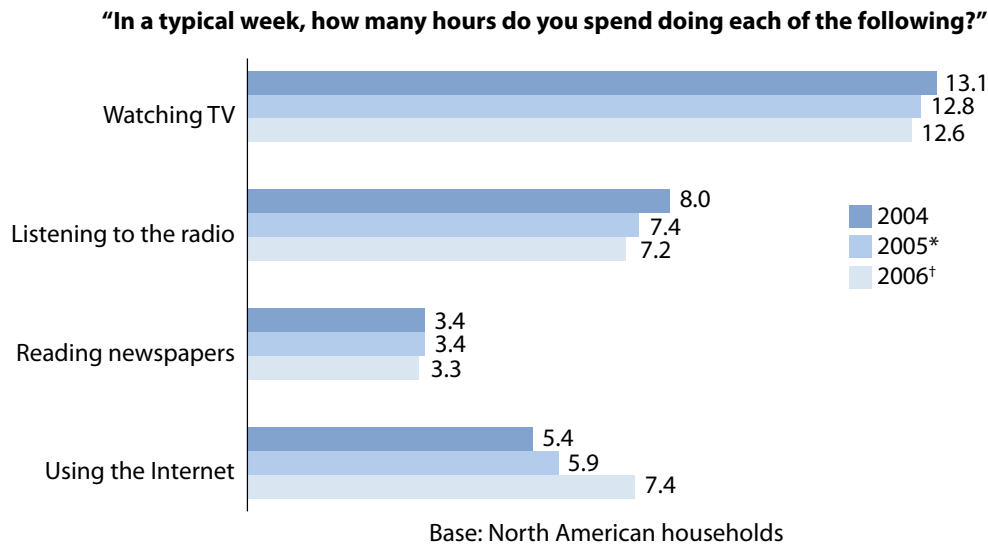
Customer Centricity Is The New Model

Marketers must lead their companies by retiring strategies based on the four P's. To effectively understand, reach, and engage customers today, marketers must transition to a customer-centric marketing organization (CCMO) — which Forrester defines as:

A marketing structure in which customer alignment is the primary organizing structure, with other groups, such as IT, channel groups, and product heads, supporting the cause.⁵

But merely shuffling boxes around on an organization chart and putting customers at the top will not drive lasting change. To make customer centricity real, marketers must galvanize support across the company and rethink the fundamental business details — not just repeat adages like “customers first” and “the customer is always right.” Tangible changes must be implemented, reshaping the way companies use metrics, build culture, and implement technology in order to move toward the CCMO.

Figure 1 Consumers Spend Decreasing Time With Mass Media And More Time On The Internet



Source: Forrester’s Consumer Technographics 2004 North American Benchmark Study
*Source: Forrester’s Consumer Technographics 2005 North American Benchmark Study
†Source: Forrester’s NACTAS 2006 Benchmark Survey

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Source: Forrester Research, Inc.

DEMONSTRATED BEST PRACTICES IN CUSTOMER-CENTRIC MARKETING

Admittedly, reinventing a marketing organization into a CCMO is easy to say but hard to do. The proof rests in the fact that no single firm can admit to being fully customer-centric. However, Forrester’s interviews with marketing leadership professionals reveal that some marketers have successfully implemented elements of customer centrality. Our analysis identifies three best practices that are critical to making customer-centric marketing real (see Figure 2):

1. **Use metrics to drive a common customer focus.** Marketing must assume its leadership role through collaboration, not control. Metrics can help drive a common customer view.
2. **Set up employees for success with culture.** Fostering a culture that focuses on customers will create consistency in brand experiences and help employees deliver better service.
3. **Implement technology to boost communication channels.** Removing hierarchy allows more frequent and direct contact with customers. Emerging technology can help marketers hear customer needs far beyond traditional market research.

Figure 2 Best And Next Practices**Best practices**

- **Use metrics to drive a common customer focus.** Marketing must assume its leadership role through collaboration, not control. Metrics can help drive a common customer view.
- **Set up employees for success with culture.** Fostering a culture that focuses on customers will create consistency in brand experiences and help employees deliver better service.
- **Implement technology to boost communication channels.** Removing hierarchy allows more frequent and direct contact with customers. Emerging technology can help marketers hear customer needs far beyond traditional market research.

Next practices

- **Tie success metrics to employee compensation.** With a customer-centric measurement program in place, it should tie employee compensation to operating results to facilitate good decisions.
- **Expand your culture into external communities.** With employees better prepared to communicate with customers, marketers should use Social Computing technologies to open up a two-way dialogue and engage customers in conversation.
- **Start building the marketing technology backbone.** Marketing and IT must come together and share resources to build an experience infrastructure layer to support the customer experience.

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Source: Forrester Research, Inc.

BEST PRACTICE NO. 1: USE METRICS TO DRIVE A COMMON CUSTOMER FOCUS

Marketers face growing pressure to report accountability for their spending. Implementing customer-centric metrics helps marketers manage their budgets more effectively and gives other departments an objective customer focal point. To get started with a metrics platform, marketers should:

- **Collaborate with internal experts on definitions.** Marketing must gain credibility the old-fashioned way — by earning it. Although many marketers operate under the shadow of legacy right-brain stereotypes, they can jumpstart a metrics program by leaning on experts for help. At Yahoo!, for example, marketing worked directly with the finance function to define tools and metrics. Ultimately, finance “owned” the metrics, which facilitated buy-in from product groups.
- **Link activities and processes to business results.** Every action within the organization has an effect on business outcomes. These relationships can be modeled to help marketers focus on pulling the levers that will drive the largest results. For example, HP has developed a business performance chain concept, starting with employee satisfaction metrics that influence business operations; operations in turn affect customer experiences; and positive customer experiences result in financial growth. HP can measure individual customer interactions, such as call center hold time, to determine the eventual impact on bottom-line results.
- **Make metrics transparent and clear.** To drive accountability, standards and performance must be unbiased and easily understandable to all. Customer groups need to have a clear view on how success will be measured so that they can formulate strategy and implement tactics accordingly. To support this, Yahoo! distributes product health scorecards and reviews the results monthly,

reallocating budget quarterly based on performance. At IAC/InterActiveCorp, each brand has an action plan based on its own target segments and competitive landscape but uses common metrics in a standard dashboard for tracking results.

BEST PRACTICE NO. 2: SET UP EMPLOYEES FOR SUCCESS WITH CULTURE

Employees in all functions must understand customer needs in order to bring long-term value to the enterprise. Marketers are responsible for bringing customer focus into the company culture and working with others, namely human resources, to ensure the alignment of brand messaging with employee metrics and goals. To succeed in building a customer-centric focus, marketers should lead their firms to:

- **Recruit for the right cultural fit.** Marketers need to work with HR to ensure that it hires the right “cultural DNA” into the company. As every employee is a physical manifestation of the brand, prospective employees should be evaluated for cultural fit. JetBlue Airways focuses strongly on cultural fit during the hiring process — in particular, it asks each interview candidate how they helped their last company succeed. Google used math puzzles on outdoor ads to recruit clever engineers through a series of puzzling Web sites. Quick service restaurant Pret-A-Manger requires manager recruits to work a day in their potential future store; current employees vote on whether or not to hire the candidate.
- **Keep employees in the know.** Marketers must use employee-first communications to keep them prepared to interact with prospects and customers and deliver a positive customer experience. Interactive agency Avenue A/Razorfish uses internal blogs and wikis to share knowledge and keep employees updated on news such as its recent corporate sale to Microsoft. JetBlue Airways uses companywide emails called “BlueNotes” to give crew members the scoop on announcements like new flight routes.
- **Develop customer empathy.** Employees who understand customer needs related to lifestyle and background are better prepared to deliver effective service. USAA members all have ties to the military, so new-hire training includes awareness activities like reading letters from deployed servicemen so that service reps have a more complete understanding of the members they serve. Fidelity Investments encourages corporate office workers to staff call center seats or work in branch offices during tax season to interact directly with customers and help offset demand. Wells Fargo uses a service model called “11 Ways to Wow!” that focuses on desired customer outcomes, such as “you give me the right advice” and “you know me.”

BEST PRACTICE NO. 3: IMPLEMENT TECHNOLOGY TO BOOST COMMUNICATION CHANNELS

Marketers should focus on using technology to enhance, not replace, existing communication methods. Customer-centric infrastructure and execution technologies enable marketers to:⁶

- **Gain better customer intelligence through brand monitoring.** By combining information in both mainstream media and consumer-generated content, brand monitoring technologies allow marketers to gain deeper insight into customer sentiment than traditional market research techniques.⁷ These insights should be translated into product and campaign development to deliver better end results. For example, Del Monte researches high-level pet owner needs to formulate products that fit into target lifestyles. Chrysler uncovered layers of buzz that allowed it to launch two- and four-door versions of a Boomer-targeted sports car. Adidas received early warning of customer dissatisfaction with a new product and pre-empted a backlash with proactive communication.
- **Deliver relevant offers through contact optimization.** Traditionally, organizational silos have battled over the right to sell to the most valued customers. Contact optimization software turns the traditional direct marketing campaign paradigm upside down by enabling marketers to identify the best offers for each customer rather than the best customers for each offer.⁸ For example, Wachovia was able to coordinate nine product-focused business units and deliver a double-digit increase in campaign returns. Scotiabank has significantly increased the performance of its branch sales efforts by creating a lead detection system that identifies and optimizes potential leads. Branch managers control the type of leads that they pull and when, but the leads are prioritized according to customer need and likelihood of response.
- **Engage customers across experience channels.** The ubiquity of the Internet and mobile devices creates an opportunity for marketers to interact with consumers in more places than ever before, not just when they are sitting in front of the television or listening to the car stereo. But, customer information must also now support experience across channels. Disney Parks and Resorts' "Customer Relationship Magic" strategy reaches prospects in pre-visit research, delivers personalized information while on property, and sends relevant product and event offers post-visit. Coca-Cola's My Coke Rewards loyalty program allows members to enter promotion codes at Web sites or via text message. Nau, an outdoor apparel manufacturer, uses physical stores as "Webfronts" that carry minimal inventory and allow customers to place orders via a kiosk and have them shipped directly to their home.

FORRESTER'S CUSTOMER-CENTRIC MARKETING NEXT PRACTICES

While our research uncovered a number of customer-centric marketing best practices, here are some next practices that marketing leadership professionals should focus on once they've mastered the basics:

- **Tie success metrics to employee compensation.** Once an organization has a customer-centric measurement program in place, it should tie employee compensation to operating results. This facilitates decision-making on the front lines, allowing employees to make the best choice in

support of the customer. Fidelity Investments developed a customer service index for its retail business and tied compensation to scores. Representatives are better able to understand the link between their activities and business results; some have even become internally competitive about providing the best customer service.

- **Expand your culture into external communities.** With employees better prepared to communicate with customers, marketers should open up a two-way dialogue and engage customers in conversation. Social Computing tools like blogs and social networks allow companies to offer a different perspective on their brands than polished press releases and scripted TV commercials. Accounting firm Ernst & Young maintains a Facebook profile to communicate with prospective college hires on their own terms. Advertising agency Wieden+Kennedy publishes a blog called “Welcome To Optimism” that offers an unfiltered view into agency operations, including pitch preparations, mourning account losses, and email archives. Microsoft’s Channel 9 aggregates employee blogs, videos, and wikis to offer individual perspectives on the company.
- **Start building the marketing technology backbone.** Today, many brand marketers don’t understand IT’s value beyond email and Ethernets. Conversely, many IT departments think of marketing as the “make it pretty” department. In the best interests of the organization, marketing and IT must come together and share resources to build an experience infrastructure layer to support the customer experience. Marketers should add a high-level internal role to champion marketing technology and to manage the construction of a marketing technology backbone.⁹ Diageo’s SVP of marketing services holds responsibility for both media and CRM. HP’s VP of Global Marketing Strategy & Excellence sponsors the organization’s enterprise data warehouse project, as well as MRM and CRM programs to boost marketing accountability.

IDENTIFYING YOUR CHALLENGES

Where should you start? Use this diagnostic tool to assess your current capabilities — and opportunities for improvement — and see how you stack up against your peers (see Figure 3). Scores will be calculated automatically for online readers. All scores are anonymous.

Figure 3 Self-Diagnostic Tool

Part 1: Metrics	Yes	No
Do your marketing and finance functions have a healthy working relationship and understanding of each other's capabilities?		
Does your department possess the internal credibility to champion the adoption of a companywide metrics program?		
Have you performed statistical analyses to link organizational processes to business results?		
Do all departments in your company have an understanding of how metrics tie into business success?		
Are departments able to view the performance of other groups?		
Total		
Part 2: Culture		
Do your marketing and human resources functions have a healthy working relationship and understanding of each other's capabilities?		
Are your job descriptions indicative of brand attributes, other than restating the corporate mission or goals?		
Are your company's employees informed before the general public of news that may impact your customers and their experience with your brand?		
Do you use tools other than email to facilitate companywide communication?		
Do you have processes in place to allow employees to develop customer empathy?		
Total		
Part 3: Technology		
Do your marketing and IT functions have a healthy working relationship and understanding of each other's capabilities?		
Are you using listening techniques other than focus groups and surveys to uncover customer needs?		
Do you incorporate direct customer feedback into product development and marketing campaigns?		
Does your organization support a unified customer view across product or channel silos?		
Do you use technology to connect with customers in behavior-appropriate (i.e., relevant and noninterruptive) ways at different touchpoints?		
Total		

CASE STUDIES

Del Monte

An obvious, but often overlooked, tenet of customer centricity is listening to customers. Del Monte leverages technology to listen to a wider range of customers and uses customer input to influence product development and drive more customer-focused marketing communications. The company uses brand monitoring to uncover general needs and a private virtual community to drill down into specific issues.¹⁰

JetBlue Airways

JetBlue Airways stands out in the turbulent airline industry, relying on its customer-centric culture to drive business results. Key customer-centric best practices that JetBlue employs include positioning marketing to own the customer experience and using communication tactics that create direct connections between executives, crew members, and customers.¹¹

USAA

USAA consistently wins accolades for superior customer service. The insurer was founded by members for their own mutual benefit, which has engendered a best-practice customer-centric culture. While competitors look to cut costs by reducing direct customer contact, USAA encourages its members to phone in and prepares its service reps for the interactions. As a result, member loyalty fuels consistent annual growth of USAA's asset and member bases.¹²

Yahoo!

Yahoo! has diversified far beyond its origins as a Web directory, offering dozens of online products and services — from A to Y. To keep the company focused on customers, the marketing organization championed a shared metrics platform built in collaboration with finance. The net result? Marketing is more accountable for its spending, and Yahoo!'s definitions of success have shifted from product- to customer-centric outcomes.¹³

SUPPLEMENTAL MATERIAL

Online Resource

The online version of Figure 3 is an interactive self-diagnostic tool that helps clients assess how their current practices stack up against those of their peers.

Methodology

The underlying spreadsheet detailing the data for Figure 1 is available online.

The data used in this report is from Forrester's North American Technographics Benchmark Surveys, 2004 through 2006. Forrester conducted a mail survey of US and Canadian households that are

members of TNS's mail panel. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 0.4% of what they would be if the entire adult population of North American adults had been polled. TNS weighted the data by age, sex, income, education, household size, and region to demographically represent the adult North American population. The survey sample size, when weighted, can be different than the actual number of respondents to account for individuals generally underrepresented in panels. The sample used by TNS is not a random sample; while individuals have been randomly sampled from TNS's panel for this survey, they have previously chosen to take part in the TNS mail panel.

Name of survey: NACTAS 2006 Benchmark Survey; date of survey: February 2006; number of respondents: 66,707; weighted number of respondents: 66,619.

Name of survey: Benchmark North America; date of survey: February 2005; number of respondents: 68,664; weighted number of respondents: 68,661.

Name of survey: Benchmark North America; date of survey: January 2004; number of respondents: 60,010; weighted number of respondents: 60,007.

Companies Interviewed For This Document

Del Monte	Orbitz
Disney	Umbria
IAC	Wachovia
JetBlue Airways	Wells Fargo
MarketTools	Yahoo!

ENDNOTES

- ¹ In 2004, TV accounted for 44%, print for 39%, and radio for 8% of total US advertising expenditures in measured media. In 2006, while the total amount spent on measured media rose 8% overall, TV still accounted for 44% of the total, print 39%, and radio dropped slightly to 7%. Source: TNS Media Intelligence.
- ² Clutter, interruption, and irrelevance drive consumers to solutions that help them avoid ads. See the November 27, 2006, "[Consumers Love To Hate Advertising](#)" report.
- ³ Approximately 19% of US households own DVR technology. By 2010, more than 50% of US households will own some form of DVR technology. See the June 13, 2006, "[Toward DVR Ubiquity](#)" report.
- ⁴ Forrester defines Social Computing as a social structure in which technology puts power in communities, not institutions. As technology and social forces increasingly interact, more consumers will voice their opinions and influence over brands. See the February 13, 2006, "[Social Computing](#)" report.
- ⁵ Companies must recognize that alignment around products, channels, geography, or media will only become less effective in today's multichannel competitive environment. See the July 13, 2006, "[Reinventing The Marketing Organization](#)" report.

- ⁶ Forrester has identified the eight technologies that firms must master in their transition to customer centricity and offers advice on how to get started on the implementation. See the June 5, 2007, "[Eight Marketing Technologies That Enable Customer Centricity](#)" report.
- ⁷ The power shift from media institutions to consumer communities means that marketers must track a diverse and growing range of influential voices. See the September 13, 2006, "[The Forrester Wave™: Brand Monitoring, Q3 2006](#)" report.
- ⁸ Consumer-facing companies are executing more marketing campaigns at higher velocity than ever before. As a result, determining the best mix of offers for each customer has become a problem of enormous magnitude. Contact optimization helps companies overcome this complexity. See the September 27, 2004, "[Optimizing Your Customer Contact Strategy](#)" report and see the September 20, 2006, "[Understanding Contact Optimization Technology](#)" report.
- ⁹ Unfortunately, no organization can buy a marketing technology backbone off the shelf at a local software retailer; rather, it is a concept to describe multiple technologies that integrate activities across the entire marketing life cycle. See the May 7, 2007, "[The Enterprise Marketing Software Landscape](#)" report.
- ¹⁰ Forrester published a detailed case study outlining Del Monte's use of customer-centric technology best practices. See the June 19, 2007, "[Case Study: Del Monte Listens With Customer-Centric Technology](#)" report.
- ¹¹ Forrester published a detailed case study outlining JetBlue's use of customer-centric culture best practices. See the June 19, 2007, "[Case Study: JetBlue Fuels Growth With Customer-Centric Culture](#)" report.
- ¹² Forrester published a detailed case study outlining USAA's use of customer-centric culture best practices. See the June 22, 2007, "[Case Study: USAA Drives Fierce Loyalty With Its Customer-Centric Culture](#)" report.
- ¹³ Forrester published a detailed case study outlining Yahoo!'s use of customer-centric metrics best practices. See the June 28, 2007, "[Case Study: Yahoo! Grows With Customer-Centric Metrics](#)" report.

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Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

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