THE QUEST FOR "CUSTOMER INTIMACY"

How do you explain customer intimacy?

The clichéd use of the term customer intimacy has led to its devaluation across all industries – both consumer and B2B. Here are some examples of so-called customer intimacy initiatives:

- reaching out to answer questions and complaints using Twitter and Facebook
- building an online community to help customers buy more
- training to help the sales team become more consultative
- online recommendations based on previous shopping patterns
- a voice of the consumer program which asks for live feedback - built into the product itself
- a voice message that says “your call is important to us”
- building customer experience scenarios with data gathered through observation

Each one of these initiatives has been tagged as a customer intimacy initiative, which isn’t an accurate reflection of what the phrase means at all.
DEFINING "CUSTOMER INTIMACY"

Customer intimacy, as originally defined by Michael Treacy and Fred Wiersema in *Customer Intimacy and Other Value Disciplines* was all about choosing a value discipline – operational excellence, customer intimacy, or product leadership - and aligning your entire operating model to serve that discipline.

This is where the misuse of the phrase with today’s jargon gets in the way.

Too often, customer intimacy is sold as customer relationship management, or Social CRM, or even product co-creation and crowd-sourcing. Many are initiatives which listen to the voice of the customer – usually in the form of negative comments or product complaints, and then finding ways to mitigate the negative response. Other initiatives, such as creating campaigns on Facebook and Twitter or building an online community to encourage marketing conversations, may be called engagement.

Still others are looking to improve customer experiences using surveys, feedback, and customer-driven feedback. Even in B2B companies, customer intimacy is often viewed as a sales initiative, as part of the global account management process.

Wrong.
CUSTOMER INTIMACY IN ACTION

A recent post on the Economist blog suggests that despite high labor costs and a strong euro, Germany is the world’s largest goods exporter after China. This engine is being driven by durable, focused businesses defined as Mittelstand.

Business Week tells us these are “family-owned companies with fewer than 500 employees and annual sales of less than 50 million euros”— and, get this — they employ over 70 percent of German workers and contribute nearly half of the country’s GDP. And in the field of clean technology –in which Germany is a leader—more than 75 percent of German cleantech companies fall under this category.

The Germans themselves have been studying these Hidden Champions for years. Academicians Bernd Venohr and Klaus Meyer point out that while the same approach has been observed in a handful of other firms around the world, including the US, it is most pronounced in Germany.

How do they do it? Again, the Economist:

Mittelständler have not only focused on sophisticated niches that are hard to enter. They have thrown their energies into building up ever more powerful defences. They constantly innovate to stay ahead of potential rivals. They are relentless about customer service. Their salespeople are passionate about their products, however prosaic, and dogged in their determination to open up

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new markets... [They] typically have subsidiaries in 24 foreign countries, offering service and advice. Many get the bulk of their revenues from service rather than products. Hako, which makes cleaning equipment, generates only 20% of its revenue from sales of its machines.

In short, they are focused, service driven, customer intimacy businesses.

Future growth for the U.S. lies in pursuing true customer intimacy led by services or solutions. Some of our leading enterprise-level companies have already made the transformation.
ENTERPRISE LEVEL CUSTOMER INTIMACY

If we examine the remarkable success of GE Healthcare, Xerox, HP, or IBM Global Services, you’ll find they follow a customer intimacy business model.

Here’s how the large companies do it:

CASE STUDY #1: General Electric
Customer Intimacy: GE Healthcare's Jeff Terry
Jeff Terry is Managing Principal of GE Healthcare. Here he talks about the challenges his organization faced as they transitioned to a customer intimacy business model.

CASE STUDY #2: Xerox
Customer Intimacy: Xerox vs. the Rest of the Industry
Watch these two advertisements from two competitors in the same industry: Xerox and Konica Minolta.

Both advertisements appeared on YouTube this month, within the past week. And although the two firms compete in the same space, their approaches could not be more different.

CASE STUDY #3: HP
Customer Intimacy: HP's "Let's Do Amazing"

HP’s marketing campaign highlights the power of solutions - to differentiate themselves with a powerful, substantiated message.
CASE STUDY #4: IBM

Is IBM’s Smarter Planet a True Solution™?
Find out how IBM goes beyond marketing platitudes to create a campaign to change the world. Not only is this a True Solution™, it's a game-changer for IBM employees as well.

What’s common across these leading companies is that they all view customer intimacy as a business model.
CUSTOMER INTIMACY AS A BUSINESS MODEL

Companies must view **customer intimacy as a business model**, not as a marketing or sales strategy, but as a strategy which drives the entire business model. Most companies **under-invest** in their transformation efforts, and fail either while on the journey itself or even before they begin.

Think through your own experience: who is your trusted advisor to you? Who do you reach out to for advice and help?

Usually it is someone that understands your problems and issues and has proved themselves by providing impactful solutions in the past. Remember, **the goal is to become an extension of your customers’ organization** - to be treated as part of the body with
no anti-bodies seeking us out and trying to exterminate us.

That happens when your business solutions address a truly important business opportunity or correct a business problem for your customer. **Intimacy means actual daily presence in the trenches, solving real customer problems.**

It is **not the bundling of your product and services**, it is **not adding professional services** to implement your service or even assist in **product selection** (although all these are valuable and will be part of your offer portfolio).

Many of the world’s leading B2B companies view **customer intimacy** as a **sustainable business model**. They moved to the Customer Intimacy model at some point in their business cycle - particularly when they found that their innovation curve was no longer providing a long period of price differentiation for new products or product extensions.

Customer Intimacy is a journey of transformation.
CUSTOMER INTIMACY AS A JOURNEY

For well over a decade, McMann & Ransford has been focused on helping companies make the shift to a Customer Intimacy business model. Along the way, we developed the Customer Intimacy Engine™ - a blueprint for business model transformation:

The Customer Intimacy Engine™

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<td>Start</td>
<td>Form</td>
<td>Commercialize</td>
<td>Scale</td>
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<td>Business Model</td>
<td>Product Driven</td>
<td>Professionally Managed</td>
<td>Leveraged Organizational Model</td>
<td>Established Brand Equity</td>
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<td>Understand Change Levers</td>
<td>Limited Service Lines</td>
<td>Established Value Proposition</td>
<td>Optimized Organizational &amp; Financial Models</td>
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<td>Consensus</td>
<td>Small Projects</td>
<td>Global Brand</td>
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In working with over forty companies over the past 17 years, we’ve discovered that the process can be described as a phased journey:

- **Start**
- **Form**
- **Commercialize**
- **Scale**, and
- **Dominate**.

Let's introduce these phases now and examine them in greater detail:
**Phase 1: Start**

As the name implies, this stage is about making the difficult decision of embarking on the Customer Intimacy Journey. Many business leaders underestimate the difficulty inherent in this phase. Without proper planning and buy-in, this is where many transformation programs fail.

There must be enough true support around the need for change, and this support must be identified or won and kept every step of the way.
**Phase 2: Form**

As the name implies this stage is about forming a new business. This phase also includes getting the companies’ leaders to change mindsets. There must be enough true support around the need for the new business model and selecting the leader of the effort, as well as selecting the target focus - be it market, or product group, or customer segment. This includes building the initial solution portfolio for the target market, acquiring capabilities, the right talent, and taking the solutions to market. Finally, this phase includes protecting the transformation effort from the rest of the organization.
Phase 3: Commercialize

You know you are in this stage when you can predict and verify outcomes from the business unit. This phase includes expanding the initial offerings into a robust portfolio of solutions. It demonstrates the ability to pull through products and harvest accounts - thereby fundamentally changing the relationship those accounts have with your business. Additional target markets can be added during this phase. Finally, this phase begins to change the market's perception of your brand and abilities.
Phase 4: Scale

This phase extends the customer intimacy transformation to the broader business. The unit must develop critical mass and have completely adopted the skills necessary to be effective in the new business model, and - this cannot be over emphasized - all players must know their roles and be able to adjust to customer situations. Unlike traditional businesses - the person at the customer makes the call - there is little time to call corporate and gain approval. The full extent of the business model is understood at this phase of the journey.
Phase 5: Dominate

This is the phase where the entire business operates in the new model. This often requires reorganization and final adjustments to the staff organizations that support the business. Marketing is dedicated to the new solution sets and key executives come from the new business and management development comes through the new business model.
ASSESSING CUSTOMER INTIMACY

A customer intimacy assessment can be done by answering the following set of questions. Executives should be familiar with the key milestones for each phase, and, most importantly, they need to be as objective as possible in order to come up with their next set of actions.

Getting Started

- Does your organization understand that this is a business model and not a sales technique?
- Does the executive team understand what it takes to be successful?
- Do you have buy-in for the long term transformation?

Forming the Business

- Do you have ideas that are strictly applicable to the niche (i.e. vertical market) you want to compete in?
- Do you have proof points to differentiate your company?
- Are you selling to the key executives in your target market?
- Can you upsell more solutions to the executives you currently serve?

Commercializing the Business

- Can you save disaffected accounts?
• Do you add new accounts through idea-based solutions?
• Are you pulling through significant product deals?
• Do you have a portfolio that touches several key executives in the vertical?
• Can you grow rapidly?

**Scaling the Business**

• Do you have integrated verticals where key accounts are run by a customer intimacy business model?
• Do you have large transactions sold without traditional sales activity?
• Have you eliminated some corporate cost by leveraging solution teams to sell them?

**Dominating the Market**

• Are you running the business in a new way?
• Have you changed your performance metrics?
• Are you still running to business models - old and new?
• Are you promoting customer intimacy leaders to top leadership jobs?
THE LESSON: CUSTOMER INTIMACY IS THE KEY

The lesson for us is this: Businesses that focus on customer intimacy will create new opportunities in this difficult business climate.

The German example shows us that it is possible to compete globally, and to grow under the most difficult conditions.

What is needed is to rethink that first decision of your business - who is the customer, and how do we serve them?

In 2011, your customer intimacy initiatives can make the difference between success and struggling with the status quo.

Here's to your success.

ABOUT DEAN

Dean McMann, the founder of McMann & Ransford, helps leading companies make the transition to a customer intimacy business model. His transformation blueprint has been used by over 45 companies across 17 industries.

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ABOUT US

For over 17 years McMann & Ransford has helped some of the world's leading B2B companies realize the value of customer intimacy as a sustainable business model. Our proven Customer Intimacy Engine™ has served as the transformation blueprint for over 45 companies across 17 industries, including:

- Atos Origin.
- BMC Software
- Compaq.
- Dell
- Deloitte
- Ernst & Young
- Fujitsu
- General Electric
- Hitachi
- Hewlett Packard
- Honeywell
- IBM
- KPMG
- McKinsey & Company
- Microsoft
- Oracle
- PwC
- Xerox