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Insight

## New Generation Marketing

*Supply and demand influence business cycles which, in turn, have much to do with employment. Raul Pupo continues his dialogue whose theme is a well-served customer will remain both a loyal and profitable one.*

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Seeking and adding new customers is conventional marketing orthodoxy. Unfortunately, growth for the sake of growth is many times the norm. Clearly, a customer-focused supplier grows strong by increasing its customer relationships in new geographies, new service categories, etc. The supplier, however, must be keen to operate within self-imposed boundaries to its rate of growth if service quality—as measured by customer satisfaction—starts even a gradual decline. Rapid growth is an ineffective means to offset customer churn caused by service quality slippage and will in fact accelerate customer attrition.

The customer-focused supplier gives special emphasis to strengthening existing customer relationships. This has a marked impact on marketing strategy and cost. A customer that is retained is clearly a customer which the marketing organization does not need to replace. And the benefits of retaining a customer can be substantial:

- *The longer a supplier commands a customer's loyalty, the more profitable the customer's business becomes. This is so because, over time, as customer and supplier organizations learn to work with each other, operating and administrative efficiencies take hold thereby increasing supplier margins.*
- *Increasing revenues from existing customers drops the cost which the marketing organization must spend to generate the same amount of revenues from new customers. In some cases, the reduction in cost can be dramatic. If an existing customer can yield in the additional revenues that an average new customer generates, then practically the entire marketing cost of finding the next customer can be offset by the supplier.*
- *Existing customers, as the source of new business referrals, also help the supplier mitigate the cost of finding the next customer. In addition, a new customer arrived at via referral has not only the effect of further solidifying the supplier's relationship with the existing customer, but also getting the new relationship off on more solid footing.*

A supplier with an unremitting focus on the customer never grows distant from the needs of the market. The supplier's business practices honed, as they are to attract, enhance, and retain customer relationships provides a potent and down-to-earth quality to the firm's marketing research activities.



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## **New Generation Marketing** *(continued)*

Every customer-supplier interaction, every sale or lost sale, is an opportunity for the customer-focused organization to learn from the experience. Learning experiences thus had and systematically organized and accessible can develop into a supplier knowledge base that is virtually impossible for a competitor to duplicate except at very great cost—if at all.

As important as the concept of customer retention is to the health of the business, however, few suppliers have even a vague notion of their customer attrition rates. Most of the talk you'll hear, especially from the marketing staff, surrounds customer acquisition and the "pipeline" (the number of prospects in one stage or another of the sales process). Yet it is a sobering thought to consider that a supplier will not experience real growth until such time as it becomes as adept at retaining existing customers, as it is at attracting new ones.

The days when industrial age mass marketers told us what to buy are just about over. Today, few customers buy without comparing competitive product and service offerings; fewer still buy on name alone, no matter how exalted the brand. Prospective customers can now tap the Internet and compare product and service features, talk to other customers via online chat rooms, read research reports, and analyze customer survey data. In the service and information age, specious supplier claims will have very short half-lives indeed. The upshot of all of this is that brand distinctions will quickly blur in the absence of meaningful product and service differences.

In a world of skeptical, demanding customers on the one hand, and meaningless brand distinctions on the other, a customer focus can arm a supplier with an unassailable competitive weapon. A customer focus allows a supplier to establish a rock-solid foundation on which to position its brand where it matters most to customers: in terms of quality and service. And, it allows the supplier to position its brand with sincerity and conviction; attributes that can not be duplicated simply through fancy packaging or advertising pizzazz. In terms that every executive responsible for protecting the integrity of their brand can understand, a customer focus imbues the personality of the brand with characteristics and values that can nullify the marketing rhetoric of even the most ably financed competitor in a given market. Reliability, responsiveness, empathy, and integrity—the stuff of a genuine customer focus—are values which customers as individuals, as humans, seek to find in their supplier partners and their brands.

In tandem with this inexorable trend slicing through the economy, and perhaps as a consequence of it, the balance of power in commerce has begun to tip decidedly in favor of the customer. With this newfound clout, customers are beginning to assert themselves and demand undivided and individualized attention to their needs. This devolution of power, from supplier to customer, is leading to a larger, more prominent role for customers in their dealings with suppliers. The wonderful thing about this new state of affairs is that it plays to the strengths of the customer-focused supplier.

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