From Marco Bertini

Put the Customers' Money Where Your Mouth Is

Dear CIO,

In all likelihood, your enterprise strives to take good care of its customers. You listen, gathering insights that can help differentiate your solutions from those of competitors in a meaningful way. You also observe. Like never before, you can map the journeys of customers across traditional and virtual touch points, and engineer experiences that engage and spur loyalty. Finally, internally, you probably continue to tweak the organization to relate better to the market: smarter metrics, smarter incentives, customer champions and so on.

All of this is excellent. Yet, from where I stand, it is only half the battle.

In my experience, even the most customer-centric venture reverts to old habits when it is time to turn all of this hard work into cash you can bank. When it comes to the revenue you generate, rather than taking a hard look at customers, many take a hard look at what they sell.

Think about it: No customer wants to buy time, yet this is exactly what professional service firms continue to invoice. No customer wants to buy goods, gadgets, components or instruments for the sake of owning them, yet this is what most brands tag with a price.

In short, I fear that your revenue strategy does not reflect the needs and wants of the market – at least, not to the same extent as the rest of the business. It is instinctive to look within when deciding how to price anything. What did it cost us to bring this offer to market? What is an acceptable return on our investment? Addressing questions of this type is prudent, but it should only be the starting point.

Ask more questions: Do you often miss a sale because customers cannot access (physically or financially) the product or service when the opportunity arises? Do customers routinely run out? Are you forcing customers to purchase something that they seldom use, or that they use only in part? Do you tie your revenue to the outcomes that you promise, or are the two mostly independent?

If the answer is 'yes' to any of the above, then your revenue strategy is probably *wasteful* – it forces customers to take on unnecessary risk. In the past, this was not necessarily a big deal. Customers had little choice but to do as told. Today, thanks to several technologies, it is different. In fact, what I am writing about often fuels the threat of disruption in an industry.

Let me explain. In this era of cloud computing, constant connectivity, the Internet of Things and micro transactions it is increasingly possible for customers to pay for what they want when they want it. We can now record every usage occasion, turn almost any good into a service, break down expenses to fit budgets big and small, coordinate users who tolerate sharing the same asset and measure results cheaply and with precision. Customers struggle to access what you sell? Consider a subscription plan. Customers seldom use your asset, or they only use it in part? Consider a sharing platform. Consider unbundling. Customers take on the risk of product failure or malfunction? Consider a pay-for-performance metric or contract.

The troubling part is that it only takes one visionary to upset the status quo in a market. These opportunities are available to you, and they are probably already in the mind of the next start-up.

In sum, be careful. You have done the hard work to differentiate your offering – to find a 'blue ocean'. Do not throw it away by forcing customers into an exchange that is inefficient to them. I like to think of customers as magnets. They have the money you chase, and they have the final word. It is reasonable to assume that if the opportunity arises, they prefer to do business with a brand that puts their money where its mouth is.

Take steps towards this new reality.

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