GROWTH PROCESS TOOLKIT

Customer Strategy

Accelerating Growth through Ongoing Customer Listening, Immediate Response, and Meaningful Dialogue

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TABLE OF CONTENTS

INTRODUCTION

Growth Process Toolkit
Customer Strategy

INTRODUCTION

Defining Customer Strategy
Customers are the source of revenue for any company, and their preferences and behaviors largely determine an organization's success or failure. Indeed, a company's survival is dependent upon its ability to provide a customer with value, and for that value to translate into top-line growth. In a sense, *everything* is about the customer.

"Customer strategy," then, is a big tent. A customer strategy might inform distribution, supplier, innovation, selling, marketing, or research activities. A customer strategy might inform acquisition or partnership decisions. Such generalizations can lead to a lack of focus: if *everything* is broadly about the customer, what is *really* about the customer? To maintain a rigorous customer focus, then, organizations must specify what a customer strategy means to them. Frost & Sullivan defines the term as **the process of increasing revenue by better understanding, anticipating, and responding to customers' changing needs.**

Admittedly, this definition has a touch of the old Steve Martin joke to it: How do you not pay taxes on a million dollars? (First, get a million dollars. Second, don't pay any taxes.) It is one thing to define customer strategy as the process of understanding and responding to customer needs. It is quite another to turn this definition into action, and to see a positive return on those actions.

It's Not Getting Easier (Make Way for Social Media)
As if this mandate were not challenging enough, the rise of social media in the last five years has fundamentally—and permanently—altered the way in which companies interact with their customers. This shift is not unique to B2C companies: spending on B2B Internet marketing is expected to grow at a compound rate of 12 percent through 2013, with social media spending showing a 21 percent compound annual growth rate.[1] Interestingly, many studies have found that B2B companies (and their customers) are more invested in social media than their B2C counterparts. Consider the following statistics:

- 81 percent of B2B companies maintain company-related accounts or profiles on social media sites (versus 67 percent for B2C companies).[2]
- 75 percent of B2B companies communicate through Twitter (compared with 50 percent of B2C companies).[3]
- A study of social network usage by employees of major corporations conducted in May 2009 found that 12 of the top 20 most active employee populations were at B2B companies.[4]
- 93 percent of business buyers believe all companies should have a presence in social media, and 85 percent believe social media should be used to interact and become more engaged with them.[5]

The consequences of this new dynamic are far-reaching:

- *Buyers increasingly go online to make purchase decisions*—Searching for solutions online is more efficient than searching through print ads or leafing through old mailers (it is unsurprising that direct-mail spending is expected to decline nearly 40 percent by 2014).[6] Indeed, B2B marketing automation company Marketo reported that 93 percent of B2B buyers use search to begin the buying process, and Forbes Insight reported that 74 percent of C-level executives call the Internet "very valuable," and 53 percent said they prefer to locate information themselves.[7,8]

> **Case-in-Point**: SAP Community Network connects more than 2 million B2B customers worldwide, facilitating information-sharing and group problem-solving. This information hub serves as an easy destination for buyers conducting independent research, while simultaneously positioning SAP as a trusted provider of valuable information.

- *Online networks further enable word-of-mouth recommendations*—Research in early 2010 by Genius.com and DemandGen Report found that 59 percent of B2B buyers engaged with peers before making a decision, 48 percent followed industry conversations, and 44 percent conducted anonymous research among a select group of vendors. A recent study also found that more than 8 in 10 IT decision makers said word-of-mouth recommendations are their most important source when making buying decisions.[9] The interconnectivity of today's world enables these individuals to find each other quickly and easily.[10]

> **Case-in-Point**: United Airlines underestimated the potential of one customer to influence collective decision making when it ignored a musician's request for compensation after baggage handlers damaged his guitar; his now-famous rebuttal has received more than 10 million views on youtube.com (and it is estimated that more than 100 million people have heard the story). This episode turned United Airlines into a textbook example of the business impact of peer influence:
> - Search traffic that was exposed and redirected from brand keyword searches likely cost United USD $25K per month
> - Wikipedia's entry for United Airlines showcased the video, resulting in an additional loss of as much as $150K per month
> - Prominent BloggingStocks editor Jamie Dlugosc called investors' attention to the video and advised them to not to purchase United stock

(Continued on the following page)

INTRODUCTION (CONTINUED)

Make Way for Social Media (Continued)

- *Customers control the terms and tone of sales discussions[11]*—The new customer-supplier dynamic is built upon a soft sell: establishing credibility and building interest by delivering useful information in a nonintrusive manner. Overt attempts to sell through online channels are quickly ignored and can even harm the brand.[12]

> **Case-in-Point**: Dell's TechCenter is an online community that helps IT professionals unravel problems that occur when trying to integrate technology from multiple vendors; the community is open and fully searchable, is free of advertising, and the member list may never be used for promotions. As of 2010, more than 5,000 people visit the site each day, and Dell executives estimate that the site is indirectly responsible for many millions of dollars in sales each year.

- *The potential for innovation is unlimited*—If approached properly, customers are willing–even eager—to share their thoughts on product or service innovations or improvements. The scale and candor afforded by social media can dramatically improve customer research accuracy and insight quality.[13]

> **Case-in-Point**: Online retailer Threadless.com invites customers to submit and vote on t-shirt designs prior to manufacturing; as a result, the company maintains no excess inventory and a profit margin of 30 percent.

In sum, social media has significantly complicated patterns of customer interaction. Most traditional channels are still viable, but new ones have emerged. Customer strategies are fundamentally different in 2011 than they were in 2006, and the landscape of 2016 will surely be different from that of 2011. The challenge, then, is to determine how to blend the new and the old, using both to achieve the ideal level of customer insight, engagement, and communication.

Where Companies Go Wrong
While social media certainly qualifies as a game-changer, many of the challenges that characterized the pre-social media world continue to plague companies today (though social media can certainly amplify preexisting difficulties). Several common pitfalls are discussed below.

Pitfall #1: Building value propositions that do not resonate with customers
Too often, executives fall prey to the temptation of listing all the benefits that their offering might deliver to a target customer (mistaking comprehensiveness for value). Ultimately, an all-but-the-kitchen-sink approach nullifies the *value* of a value proposition, since it dilutes meaning and establishes more points of parity with alternatives than it does distinct points of differentiation.

Significantly, this approach also masks an insufficient understanding of customers' needs and preferences, and what it is worth to fulfill them. In the absence of such understanding, managers may stress points of difference that deliver relatively little value to the target customer. This perspective can lead to the fallacy of what one writer has called "value presumption:" assuming that favorable points of difference must automatically be valuable for the customer.[14]

Pitfall #2: Allowing competing interests to supersede customer focus
While most organizations pay lip service to a rigorous customer focus, the reality is that the day-to-day concerns of powerful stakeholders (e.g., board members, senior executives, strategic partners) often take precedence over customer-driven priorities—and it frequently happens that their concerns are not in alignment with those of customers.[15]

Even organizations that do manage to prioritize customer needs may find that they cannot act effectively on gathered intelligence. This most often happens when companies are heavily siloed and do not share information across business units or functions. Without widespread dissemination of customer insights, it is impossible to build a holistic view of the customer experience.

Some companies even justify this lack of information-sharing by arguing that they know their markets so well that fresh customer intelligence couldn't tell them anything new. They forget that customer needs, competitor offerings, and the availability of complements or substitutes evolve over time—and that these changes are opportunities for the firm to defend or refine its value proposition and deepen its customer relationships.[16]

INTRODUCTION (CONTINUED)

Where Companies Go Wrong (Continued)

Pitfall #3: Balancing existing capabilities with the acquisition of new ones
To build a long-term and sustainable competitive advantage, it is essential to identify what a firm not only does best, but does better than competitors, and to make decisions that play to those strengths.[17] However, it is equally essential to know when a formerly powerful capability is being marginalized (whether through technology obsolescence, competitor copying, or the emergence of new and better capabilities), and what to do about it. As customer needs change, it is likely that companies will have to make significant changes to their business models to remain relevant in the long term. As Amazon.com founder Jeff Bezos has said, "There is a tendency…for executives to think that the right course of action is to stick to the knitting—stick with what you are good at. That may be a generally good rule, but the problem is that the world changes out from under you if you are not constantly adding to your skill set."[18]

While Bezos raises a compelling point, it begs the question: add to your skill set at the expense of what? The pursuit of new capabilities may undermine the effectiveness of existing ones (especially when many companies struggle to take full advantage of their best capabilities in the first place). While it may seem enticing to change course, any decision to learn new skills or acquire new capabilities should be based off a rigorous customer understanding and a specific customer and market opportunity. As noted previously, however, such customer understanding is often inaccurate, incomplete, or buried within independent silos.

Pitfall #4: Defining the business in terms of features, not benefits
Firms miss opportunities to create value for customers when they focus on what a product *does* (i.e., its features) rather than speaking to high-level, strategic needs (i.e., its benefits). When this happens, managers miss competitors coming from other product categories that meet the same need. Furthermore, most managers struggle to detect signals of pending market, industry, or customer change and therefore fail to plan accordingly.[19]

As scholars George S. Day and Christine Moorman write in *Strategy from the Outside In,* companies cannot forget that the benefits their products deliver to customers "define the business and should permeate the way firms create and improve customer value over time." They also note, "With customer benefits as the criterion against which decisions are made, there is less chance that important market signals will be missed."[20]

One such company, Johnson & Johnson, fell prey to overlooking customer benefits when it pioneered the stent in the 1990s.[21]

Case-in-Point: Johnson & Johnson's Heart Breaker

A Promising Start
In 1994, Johnson & Johnson introduces the first stent, a device inserted to support failed arteries or veins of the heart. A groundbreaking innovation, the stent was received with widespread praise from patients and doctors; skyrocketing demand and rapid growth followed. Within two years, the firm held a 91 percent market share.

Losing Sight of the Forest
Due to Johnson & Johnson's focus on keeping pace with strong demand, it responded too slowly to valuable feedback from doctors on how to improve the product. Since Johnson & Johnson's stent was only available in one size and could not be seen in an X-ray machine (two primary sources of criticism from heart surgeons), competitors saw a window of opportunity to deliver an improved product more tailored to customers' needs.

From Hero to (Almost) Zero
As competitors moved into the market, Johnson & Johnson found that its stent had become marginalized by superior technology—but it was too late. By 1997, the firm had just an 8 percent market share in the category it had created.

INTRODUCTION (CONTINUED)

The Solution
As the previous example demonstrates, a failure to respond to customer needs can have long-term implications for a company's growth strategy. For this reason, successful companies actively prioritize the customer across their organization. They also:

- Sense, anticipate, and prioritize customer needs and preferences
- Act on insights through improved product innovation, customer engagement, and communication
- Establish value propositions that are succinct, unique, and defensible
- Understand the importance of frequently revisiting and modifying their customer strategy

The following case example demonstrates how one company successfully reestablished a customer focus across the organization, with demonstrable and compelling results:[22]

Case-in-Point: Tesco's Customer-Driven Growth Strategy

A State of Crisis
In 1992, Tesco was known as a third-rate grocery chain and was steadily losing market share. Its survival was in jeopardy, and the organization was struggling to define itself relative to competitors.

A New Focus
In 1995, Tesco began viewing everything it did from the perspective of customers. It adopted a statement of core purpose: "To create value for customers to earn their lifetime loyalty.' All operations, human resources, finance, and retailing decisions were based on whether the firm's target customers would see value. Any ideas that would not deliver value to customers were ignored.

Importantly, Tesco understood that before it could deliver value to customers, it had to know what customers wanted. It therefore began its customer initiative by asking a key question: "Why are customers leaving?" The customer strategy emerged as executives unearthed answers to that question. This exercise also helped Tesco established a world-class market insight capability that has become part of its ongoing competitive advantage.

A Happy Ending
Thanks to its recommitment to the customer, Tesco doubled its market share between 1995 and 2010, despite intense and ongoing industry competition. Furthermore, Tesco has become the third-largest retailer in the world, entered 15 international markets, expanded into new businesses such as banking, and consistently held its own against competitors such as Sainsbury's, Marks & Spencer, Asda, and Walmart.
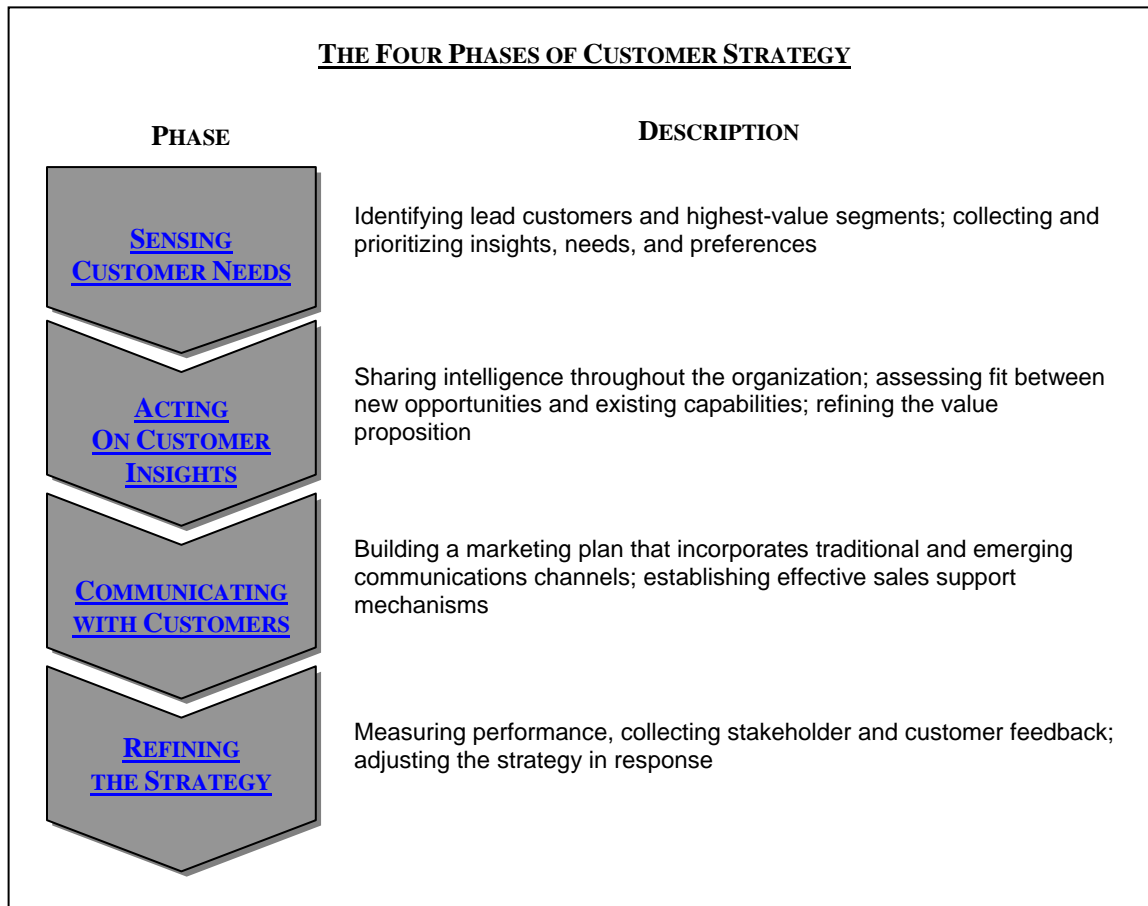

In Conclusion: Shaping the New Paradigm
In his now-classic *The Structure of Scientific Revolutions,* Thomas Kuhn introduced the concept of a paradigm shift. A paradigm shift occurs when practitioners of a shared discipline find that the framework in which they operate has been undermined by a series of unexpected incidents that cannot be explained by the prevailing paradigm. These incidents, or anomalies, continue to accumulate until the field finds itself in a state of crisis. During this period, members of a community experience "profound professional insecurity…generated by the persistent failure of [the old framework] to [work] as it should." This "[f]ailure of existing rules is the prelude to a search for new ones," and the new rules define the new paradigm.[23]

In many respects, the discipline of customer strategy is in such a state of crisis. We are experiencing a profound shift in how people interact with one another; many tried-and-true frameworks are becoming antiquated, and new ones are taking their place. Where we once conducted focus groups, we now also monitor trends on Twitter. Where we once made a hard sell, we now find a soft one often works better. Where an unhappy customer used to tell 10 peers, he can now tell 100, or 500, or a million. Companies that will succeed in the new paradigm are the ones that embrace experimentation, recognize the opportunity inherent in this period of crisis, and actively contribute to shaping the new structure. Those that do not embrace it will be left behind.[24]

INTRODUCTION (CONTINUED)

How Should You Build a Customer Strategy?
Frost & Sullivan structures the customer strategy development and refinement process around the phases listed below.

THE FOUR PHASES OF CUSTOMER STRATEGY

PHASE	DESCRIPTION
SENSING CUSTOMER NEEDS	Identifying lead customers and highest-value segments; collecting and prioritizing insights, needs, and preferences
ACTING ON CUSTOMER INSIGHTS	Sharing intelligence throughout the organization; assessing fit between new opportunities and existing capabilities; refining the value proposition
COMMUNICATING WITH CUSTOMERS	Building a marketing plan that incorporates traditional and emerging communications channels; establishing effective sales support mechanisms
REFINING THE STRATEGY	Measuring performance, collecting stakeholder and customer feedback; adjusting the strategy in response

On a final note, many factors influence a company's approach to managing customer relationships that are not covered comprehensively in this toolkit. For this reason, we provide a wealth of resources focused on these activities in companion Growth Process Toolkits, which you can access by clicking on the links below.

- *Mergers & Acquisitions: Accelerating M&A Growth through Early-Stage Planning and Evaluation*

- *Geographic Expansion: Accelerating Growth through Principled and Repeatable Entry Strategy*

- *New Product Development: Accelerating Growth through Unbiased and Rigorous Early-Stage Product Evaluation*

- *New Product Launch: Accelerating Growth through Rigorous Planning, Principled Execution, and Continuous Monitoring*

- *Competitive Strategy: Accelerating Growth through Principled and Informed Competitive Decision Making*

- *Distribution Channel Optimization: Accelerating Growth through Rigorous and Unbiased Partner Evaluation, Selection, and Monitoring*

- *Vertical Market Expansion: Accelerating Growth through Principled Market Opportunity Evaluation and Entry Strategy Development*

- *Strategic Partnerships: Accelerating Growth through Principled Partner Selection and Proactive Relationship Management*

HOW TO USE THIS TOOLKIT

Growth Process Toolkit
Customer Strategy

HOW TO USE THIS TOOLKIT

The Growth Process Toolkit for Customer Strategy

What it is: This toolkit features proven, practical tools and tactics for addressing challenges most commonly associated with customer strategy. It will help you create better and more innovative products and services, offer a superior customer experience, and deepen customer relationships.

On a more technical level, this Growth Process Toolkit presents Frost & Sullivan's best work on customer strategy in a step-by-step implementation format. This resource gives Growth Team Membership (GTM) members proven processes, tools, and templates to help them successfully manage the risks and pitfalls encountered in this key growth process.

How it will help you: This toolkit will help you and your team develop a successful and repeatable model for building and executing a customer strategy. As noted previously, we recognize that your customer strategy may be strongly influenced by factors such as strategic partnerships or new market entry. These and other topics are explored in companion growth process toolkits and are listed on the previous page. This toolkit focuses specifically on how to create, deliver, and profit from customer value.

How to use it: This book is divided into four sections: Sensing Customer Needs, Acting on Customer Insights, Communicating with Customers, and Refining the Strategy. Within each section, we have outlined a variety of steps that you should complete. For each of those steps, you are provided with the tools (such as templates, scorecards, or checklists) that you need to complete that activity to a Frost & Sullivan standard. You can read this toolkit cover-to-cover, or you can reference the clickable table of contents to access specific sections.

Be on the look-out for helpful reminders throughout this toolkit. We will alert you at key stages when you should involve certain stakeholders, or when it might be a good idea to use additional GTM (or other) resources to aid your implementation.

We encourage you to bookmark this toolkit, save particularly helpful tools to your desktop, and share it with your colleagues. We also encourage you to contact your Account Executive if at any point in your research you require assistance.

The Growth Process Toolkit's Organization and Layout

For ease of navigation, the majority of activities and tools featured in this toolkit adhere to the following template:

SAMPLE PAGE LAYOUT

Which step we are currently detailing and which steps are still to come

Which tool we are currently detailing

Key points about the tool: what it is and why it's useful

Snapshot of the tool, often with gray-shaded text inserted as an example

Helpful tips on applying the tool

TABLE OF CONTENTS

PREFACE: SECURING ORGANIZATIONAL ALIGNMENT

Growth Process Toolkit
Customer Strategy

PREFACE: SECURING ORGANIZATIONAL ALIGNMENT

Tool #1: Goal Statement Template

Overview

What is it?
A discussion guide to help the executive team articulate its company's goals for investing in a customer strategy.

Why should you use it?
This tool will help you ensure the following:

- *Agreement among the executive team* – While you may believe your executive team to be on the same page about strategy and vision, this perception may in reality be off-base. Consensus on goals and expectations at the outset of any activity is a good idea – but even more so when navigating waters as risky or complex as customer strategy.

- *Focus on activities that align with the stated purpose* – Shared commitment to the Goal Statement will help the executive team be clear about goals and the boundaries for achieving those objectives. Agreement on how to handle all strategic factors will ensure the team approaches customer-focused decision making with a shared clarity of purpose.

Use this as a living document – something that you can revisit whenever you need to refocus team members on shared objectives.

GOAL STATEMENT: TEMPLATE   **COMPANY NAME**

Vision: What are we trying to do?

(a) What is the goal we are trying to achieve?
       i. What is its scope?
       ii. What is the advantage it will give our firm?
       iii. What is the end state that the strategy should achieve?

(b) How likely is it that this goal will help us:
       i. Meet our growth targets
       ii. Achieve a certain market share
       iii. Become the market leader

(c) Which groups in the organization are responsible for delivering on our objective?

(d) What are the decisions we as an executive team must make in support of this objective?

(e) Given these specific decisions, what must this effort produce as output?

Justification: Why do we want to do it?

(a) What <u>external</u> factors have compelled us to reinvest in our customer strategy? (Is our market experiencing discontinuity? Have we relinquished market share to a competitor? Have customer preferences evolved in a way that does not favor us? Are we feeling pressure from shareholders?)

(b) What <u>internal</u> factors have compelled us to reinvest in our customer strategy? (Have we confused our value proposition? Are we lacking critical capabilities or financial resources that could improve our competitive positioning? Are we shifting the strategic direction of the company?)

Approach: How do we want to do it?

(a) What is our timeline for achieving the desired end state?

(b) What part of the customer landscape do we want to focus on?

(c) What are the boundaries beyond which we will not venture?

Page 1 of 2

(Continued on the following page)

Tool #1: Goal Statement Template (Continued)

GOAL STATEMENT: TEMPLATE	COMPANY NAME

Organizational Readiness: Are we prepared to rebuild, refine, or reinvest in our customer strategy?

(a) Which vital skills sets, if any, are we currently lacking among our staff (e.g., expertise in social media)?

(b) Can our existing processes and cost structures support our new customer objectives?

(c) What will we ask any or all of the following functions to contribute to this effort: Marketing, Market Research, Sales, Research & Development, Customer Service, Manufacturing, and Finance?

(d) What external barriers (e.g., government or legal restrictions, economic uncertainty, competitor response) might prevent us from achieving our stated objective?

(e) What internal barriers (e.g., unsupportive culture, limited budget, inadequate information-sharing) might prevent us from achieving our stated objective? Which of these barriers can we control and resolve?

Investment: What financial return do we expect from our customer strategy?

(a) What are our minimum and maximum investment thresholds for any activities required as part of our customer strategy (e.g., investments in social media, traditional marketing, sales training, customer research)?

(b) Where would we place our investment on the risk/reward spectrum?

(c) How long do we expect it will take to achieve a positive return, in terms of boosted revenues, increased market share, and/or better margins?

Measurement: How will we determine success?

(a) Short-Term: How will we demonstrate success to shareholders (i.e. what should be our key targets)? What metrics can we realistically influence during this time?

(b) Long-Term: What signs of success would we expect in the long term? How should we quantify these expectations?

(c) Which metrics will matter the most for our social media efforts?

(d) How will we measure specific functions' contributions to our customer strategy objectives?

Buy-In: Who has contributed to and/or approved this statement? Who still needs to sign off?

(a) What plans exist for ensuring executive team consensus, acceptance, and commitment?

(b) How will we modify our goal statement if we receive push-back from key stakeholders? On which points are we willing to budge, and on which must we hold firm?

(c) How should we communicate our goal statement for the greatest degree of buy-in (e.g., who should deliver the message, what is the scope of the audience, which communications channels should we use)?

Page 2 of 2

PHASE 1: SENSING CUSTOMER NEEDS

Growth Process Toolkit
Customer Strategy

PHASE 1: SENSING CUSTOMER NEEDS

The table below lists the key steps and objectives featured in Phase 1. The pages that follow explore each step and its associated tools in greater depth. This page is also clickable, enabling you to jump to any section directly.

SENSING CUSTOMER NEEDS: KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Lead Customer Identification	Predict emerging customer needs based off what your most progressive customers are doing – and how they are behaving – right now	Opportunity/Fit Matrix
Segmentation Analysis	Organize the customer base by key characteristics such as purchase profiles or account size	Customer Group Identification Template Customer Segment Comparison Grid
Insight Collection	Gather information on customers' existing and emerging needs, preferences, and behaviors	Online Listening Guidelines Voice of the Customer Interview Template
Insight Prioritization	Rate current and emerging customer needs based in their order of preference and your organization's ability to address successfully	Voice of the Customer Prioritization Guidelines Product Feature/Association Matrix

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP ONE: LEAD CUSTOMER IDENTIFICATION

Tool #1: Opportunity/Fit Matrix

Overview

What is it?
A customer segmentation tool that helps you identify which customer groups present the greatest opportunity for growth.

Why should you use it?
Before attempting to better meet customer needs, you must first determine which customers you want to target. By cross-referencing customers' future value with your organization's ability to meet customers' needs, you can focus your efforts on initiatives will help your company target customers with the greatest long-term value to your organization.

CUSTOMER OPPORTUNITY/FIT MATRIX

High	**At Risk** Action here will depend on the reason for the low opportunity: is it a saturated market? An insignificantly small, albeit high-quality, percentage of the total customer base? Invest here if the opportunity may improve over time.	**Star** Good-fit, high-opportunity customers are the core of your customer strategy. They are your safety net of already-established demand. You should design communications, pricing, and positioning with this segment in mind.
Low	**Low Priority** An investment in this low-growth, poor-fit segment will likely not contribute to your revenue or growth goals.	**Build Up** Serving this segment would require an expansion of capabilities: new product development, strategic partnerships, or acquisitions might help you improve the "fit" between this high-value segment and your product or service offerings.

FIT* (vertical axis label)

Low   High

OPPORTUNITY*

*A Note on Opportunity and Fit

Frost & Sullivan defines "opportunity" as a segment's growth potential and "fit" as alignment between a segment's demands and your company's current capabilities.

(Directions listed on the following page)

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP ONE: LEAD CUSTOMER IDENTIFICATION (CONTINUED)

Tool #1: Opportunity/Fit Matrix (Continued)

Directions

1. Plot each segment within your customer base according to responses to the questions listed below.

2. Rank each response those questions based on a High, Medium, Low scale. Take the average for each and plot on the grid accordingly.

Questions

A. Opportunity

1. What level of purchasing power do customers within this segment wield (e.g., Wal-Mart's leverage with suppliers)?

2. To what extent is this segment positioned for long-term growth (i.e., is the size of the segment increasing or decreasing)?

3. To what degree can your company differentiate itself with this segment ("high" equals lack of competition)?

4. If multiple companies already compete to serve in this segment, how easy would it be for customers to switch (and how willingly would they do it)?

      a. To what degree can factors other than price influence a switching decision?

5. How high would the average margin on a sale be within this segment? Consider the following:

      a. What is the average cost of acquiring a new customer within this segment?

      b. What is the average cost of losing a customer within this segment?

      c. How long is the sales cycle?

      d. To what degree does price sensitivity govern purchase decisions in this segment?

      e. How high is the cost-to-serve within this segment?

B. Fit

1. To what extent can we price our product or service competitively (but still profitably) for this segment?

2. To what degree does this segment already recognize a need for our product or service?

3. To what degree is our company (or our brand) viewed as offering a high-value product or service to meet demand?

4. What degree of success could we expect if we sell our existing product/service portfolio to this segment without investing in significant or costly changes?

5. What success would we have profitably building a value proposition that would cultivate customer loyalty over time?

6. To what extent do our internal competencies align with this segment's demands and buying behavior?

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP TWO: SEGMENTATION ANALYSIS

Tool #1: Segmentation Process Template[25]

Overview
What is it? A list of considerations that can guide your reevaluation or refinement of your company's current segmentation model. Many of the segmentation tools that follow will help you complete each of these steps. **Why should you use it?** This structured, hypothesis-driven approach to segmentation can help you establish a customer-centric business model that will serve as the foundation for your company's customer strategy.

Segmentation Process Template

Step #1: Apply internal expertise in customer segmentation

✓ Use employees' existing customer knowledge
✓ Conduct focus groups in Sales, Marketing, and Product Development to further define hypothesized segments
✓ Filter all hypothesized segments based on segment size, market opportunity, and fit with the company's core strategies

Step #2: Pressure-test suggested customer segments

✓ Identify the most promising of the generated hypotheses for further testing
✓ Facilitate Sales, Marketing, and Product Development workshops to eliminate or refine proposed segments
✓ Screen for segments that are unique based on their demographics, marketing channels, and needs
✓ Assess the uniqueness of the hypothesized need for each segment
✓ Estimate segments' potential size and value

Step #3: Confirm customer segments and build a comprehensive profile of each one

✓ Conduct focus groups of potential customer segments to capture their voice, preferences, and needs
✓ Listen to and monitor customers' online conversations to gather additional customer insights
✓ Focus efforts, where possible, on prospective customers rather than existing ones

Step #4: Cultivate companywide commitment to customer segments

✓ Link segments to specific products or services and talking points
✓ Personalize segments to enhance employee receptivity

Step #5: Structure product development efforts around segments' specific needs

✓ Build innovation efforts back from focus group- and social media-generated insights
✓ Foster creativity with customer-focused blueprints and mood boards

Step #6: Develop segment-specific marketing that demonstrates value-based solutions

✓ Create marketing campaigns predicated on a segment-specific value proposition
✓ Utilize insights gleaned from focus groups to direct targeted marketing campaigns

Reminder! Click here to access a companion Best Practice Guidebook on building a customer needs-focused business model.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP TWO: SEGMENTATION ANALYSIS (CONTINUED)

Tool #2: Customer Group Identification Template[26]

Overview
What is it? A framework for identifying untapped customer opportunities; your customer needs analysis will directly inform this exercise. **Why should you use it?** Placing your customers into these categories will help you identify which segments are most valuable to your organization in the long term. While a segment may deliver significant revenue to your company in the short term, deeper analysis may reveal circumstances that could alter that segment's appeal over time.

Customer Group Identification Template (Sample)
Market:

Customer Group	Description	Implication	Conclusion
Non-customers	Prospective customers are unable to accomplish an important job for themselves; they design their own (inadequate) solutions from multiple providers	A new product or innovation targeted at this segment's unmet needs could provide significant returns	A product in our current portfolio would help this segment do more conveniently what they are already trying to get done on their own; we can cost-effectively engage this group
Underserved customers	Customers are frustrated with a product's limitations; they are willing to pay more for enhancements along dimensions most important to them	Improved products or product alternatives targeted to this customer group could reenergize these buyers	This group presents an opportunity for rapid growth and enthusiastic engagement
Over-served customers	Customers stop paying for further improvements in performance that previously had merited price premiums	New product innovation could reengage this segment; need to alleviate margin or price pressures from serving this group	Customer group may still be attractive if we can cost-effectively serve least-demanding customers; we should not consider investing in customers who would <u>not</u> be better served by our product offering

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP TWO: SEGMENTATION ANALYSIS (CONTINUED)

Tool #3: Customer Segment Profiling Template

Overview
What is it? A series of questions to guide profiling of each customer segment your company currently serves. **Why should you use it?** It will help you position your offerings in a way that will resonate with your target segments. Furthermore, it will help you personalize the behavior of that segment. By putting a face and a name to high-value customer groups, you make your targeting strategy more accessible to those responsible for communicating with these clients.

Customer Segment Profiling Template
Product: Cell Phone A

Lucy: Active Outdoorswoman	Jane: Chief Information Officer for large enterprise
Vision: To follow a "green" lifestyle **Desired Outcomes:** Spend more time outdoors without sacrificing accessibility **Challenges:** Battery dies while outdoors with no way to recharge **Wishes:** An unbreakable phone **Needs:** Durable device with "go-anywhere" reception **Positioning Statement:** Phone's protective casing prevents ☐ from the elements and is made from recycled plastic; has lor lasting battery on the market	**Vision:** To provide all employees with high-quality but low-cost wireless access **Desired Outcomes:** A virtual employee network that minimizes the need for travel **Challenges:** Meeting technology needs within budget limits **Wishes:** Manage all wireless communications needs through a single solutions provider **Needs:** Provide 1,000+ employees with hand-held devices having global functionality **Positioning Statement:** Competitive pricing policy enables cost-effective technology solution
Fred: Small Business Owner	**John: Affluent Professional**
Vision: Become a supplier of choice **Desired Outcomes:** Improve customer satisfaction **Challenges:** Make budget go further **Wishes:** Upgrade all communications equipment **Needs:** Provide staff with continuous mobile access **Positioning Statement:** 4G network speeds customer response times; high-quality solutions still available for the budget-conscious	**Vision:** Establish trendsetting reputation **Desired Outcomes:** Have phone project image **Challenges:** To have the best of form and function **Wishes:** To be the first to possess new technologies **Needs:** Sleek design and continuous mobile access with 4G network **Positioning Statement:** Unique, branded design conveys style and status; functionality is reliable and high-speed

> Reminder! These segment profiles are for demonstration purposes only and may not align with your business model. Whether you are B2B- or B2C-focused, the core lesson would still apply: that by personalizing your segments and considering your product positioning for each one, you can clarify decisions around marketing, pricing, and the customer experience.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP TWO: SEGMENTATION ANALYSIS (CONTINUED)

Tool #4: Customer Segment Comparison Grid

Overview
What is it? A template to help you evaluate trends across your customer base. It can also help you organize insights gathered through your customer needs identification and opportunity/fit exercises. **Why should you use it?** It will help you directly compare the potential offered by two segments. It can also help you determine if there is still opportunity for your company to increase share of wallet within a given segment, or whether an alternative segment offers better opportunities.

Customer Segment Comparison Grid (Sample)

Product: CPAP Machines

Segment 1: Medical Professionals

Segment 2: Consumers

Consideration	Segment 1 Characteristics	Segment 2 Characteristics
Product	Clinical tool, greater demands for evidence, greater need for more information for differential diagnosis and treatment, use setting in controlled, clinical environment, often higher regulatory hurdles	Simpler, need for greater safety controls, more ergonomic and comfortable, clear instructions, use setting in home or other non-healthcare facility, scalability more of a challenge, shorter product life cycle
Price	Elastic – typical disconnect between user (clinician) and purchaser (facility), larger purchasing volumes, view of products as business investments, greater pricing flexibility through negotiations	Inelastic – especially if non-reimbursed, smaller purchasing volumes, sometimes direct impact on personal budgets, less of an ability to offer flexible price negotiations
Distribution	Concentrated distribution channels with fewer potential customers, Internet purchasing rare for most products	Less concentrated market, greater challenges getting product "the last mile," Internet distribution a powerful tool, may require an intermediary to sell
Promotion	Promotion easier because of common needs and concentrated users, intense personal selling and relationship-building with clients	More transactional selling, more adherence and educational challenges, market segmentation more important, consumer psychology more important, greater challenge with positioning of product and benefits, more available market data resources for consumer market research compared to professional market
Service	More service-oriented, often demand for intense one-on-one service provided by manufacturers	Less service-oriented, one-on-one service often not practical across large populations

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP TWO: SEGMENTATION ANALYSIS (CONTINUED)

Tool #5: Customer Lifetime Value Calculation Guidelines[27]

Overview

What is it?
A model to help you predict the revenue and profit a customer will generate over their "lifetime" as a client. You can use this model to calculate and compare the value offered by multiple segments served by your company.

Why should you use it?
You need to identify which customers drive the highest margins. This understanding can help you make more informed decisions about your sales, marketing, and service investments; enhanced interaction can in turn help you improve conversion and retention rates among your highest-value customers.

Guideline #1: Build a customer lifetime value (CLTV) model based off the following inputs:

- 4-5 years historical customer data (it will help you gain a big-picture view of a customer's purchase patterns)

- Transaction-based data (e.g., RFPs, orders, invoices, discounts, margins)

- Customer information (for distributors, this might include credit history, product line comprehensiveness, or relationships with competitors; for end users, this might include demographic information such as age, marital status, or gender)

Guideline #2: Leverage the CLTV model to calculate:

- *Total relationship revenue*—The total revenue a customer has generated for your company.

- *Predicted customer tenure*—The entire time period a customer will have a (paying) relationship with your company. You can use *survival analysis to pred*ict how long a customer will maintain a relationship with you.

- *Predicted future purchase revenue*—The expected future purchases a customer will make based on the current state of the relationship, historical data, and demographic or behavioral information.

Guideline #3: Assess the profitability of each of your customer segments by calculating:

Input	Segment 1	Segment 2	Segment 3
Total lifetime revenue	$6,000	$3,000	$1,050
- Cost of goods sold (over lifetime)	$3,500	$1,500	$1,000
- Acquisition or marketing costs	$125	$125	$125
Lifetime margin/profit	$3,875	$375	($75)
% of existing customer base	15%	50%	35%

Guideline #3: Use segment analysis to:

- Identify behaviors and preferences of high-value segments; see Voice of the Customer Interview Template

- Build detailed profiles of segments with high customer lifetime value; see Customer Segment Profiling Template

- Inform a business case for further investment in high-value segments; see Customer Focus Business Case Template

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Reminder! Click here to access Growth Team Membership's Best Practice Guidebook on Customer Lifetime Value.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP THREE: INSIGHT COLLECTION

Tool #1: Online Listening Guidelines[28]

Overview
What is it?   A list of considerations that can help you monitor and learn from online conversations that your customers are having about your business and industry.   **Why should you use it?**   Listening can significantly influence how you improve or evolve your products, services, or infrastructure. Observation is the first step in identifying and changing aspects of your offering that customers don't like.

Online Listening Guidelines

Guideline #1: Don't interrupt.

If you want to gather truly unbiased or uninfluenced customer insights, you must observe but not directly respond (conversation comes when you are prepared to act on gathered intelligence).

Guideline #2: If you build it…

Consider creating a new online destination for your customers to share their views and connect with each other.
(Dell's IdeaStorm is a good example.)

Guideline #3: No harm in asking.

Solicit ideas from customers to show that their opinions are important to you. Search sites that aggregate customer feedback; such an index can help you spot trends easily. Sites that feature user-generated feedback, analysis, and experiences with products, brands, or services can be particularly helpful.

Guideline #4: Listen to keywords.

Monitor a portfolio of searches and analyze the results. Consider language frequently employed in:

- *Social bookmarks*: sites and communities that allow users to share, organize, and search relevant content from around the Web in one place (e.g., Twitter, Digg, Ybuzz)
- *Blogs and conversations*: search engines and networks that reveal activities occurring within the blogosphere
- *Blog communities*: communities dedicated to featuring blog content, conversations around blogs, and organizing blogs within a single network or channel

Guideline #5: Know where to look.

There are many communities and conversations thriving in smaller but still relevant networks other than Facebook and Twitter. Message boards and discussion forums dedicated to topics, themes, projects, or purposes may seem old-fashioned but are still pervasive today. "Nicheworks" (social networks specifically dedicated to topics, activities, targets, and intention) can also provide valuable insights from a knowledgeable and self-selected group of contributors.

Guideline #6: Search for trends.

One of the difficulties of monitoring conversations is that they are so dispersed. Vendors such as BuzzMetrics, Radian6, Zeta Interactive, SAS, Lithium Social Media Monitoring, and Visible Technologies can be contracted to spot patterns in blogs, discussion boards, and Twitter streams. You might also want to consider monitoring activity around your industry on Wikipedia, using RSS to monitor Twitter, Google News, and Google Blog Search, among other sites.

Guideline #7: They're not all diamonds.

Some channels will deliver more meaningful insights than others. Listen to conversations among multiple sites to identify and distinguish relevant interaction from unproductive dialogue.

> Reminder! Social media offers opportunities to do more than just listen to customers. We will further discuss social media's role in customer communication in Phase 3.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP THREE: INSIGHT COLLECTION (CONTINUED)

Tool #2: Voice of the Customer Interview Template

Overview

What is it?
A survey template that you can use to understand purchase behavior, preferences, and perceptions among customers within high-value segments.

Why should you use it?
It will help you articulate customers' needs, challenges, and desired outcomes. In turn, this information will help you consider how you can alter your value proposition to better resonate with these customers. Ideally, improved customer understanding will focus communications, inform innovation decisions, and ultimately help you increase share of wallet.

Voice of the Customer Interview Template

A. Overview Questions

1. When did you first purchase [Product], whether from our company or from another provider?

2. What motivated your organization to purchase [Product]?

3. From which provider do you currently acquire [Product]?

4. What other providers are you aware of?

5. How often do you or your team use [Product]?

6. What are the critical issues facing decision makers at your organization?

7. Overall, how satisfied are you with the product you currently use?

8. Whom do you view as the market leader in this space? Who delivers the best product and services?

B. Purchase Behavior Questions
(Note: Only ask these questions if you are confident that their sales focus will not frustrate the customer)

1. Who controls purchase decisions at your organization?

2. How do you approve the purchase of [Product]?

3. Do you issue Requests for Proposals?

4. Do you require product demonstrations?

Page 1 of 2

(Continued on the following page)

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP THREE: INSIGHT COLLECTION (CONTINUED)

Tool #2: Voice of the Customer Interview Template (Continued)

Voice of the Customer Interview Template (Continued)

C. Outcomes-Based Questions

1. What task, activity, or job are you trying to complete with [Product]? (Be sure to phrase responses as actions: e.g., "minimize", "increase".)

2. What is the *ideal* output or outcome that you want to achieve?

3. What are you currently doing to achieve your desired outcome?

4. Do you consider it efficient? Why/why not?

5. How do you know when the outcome has been successfully achieved?

6. How do you measure success?

7. How would you alter the way you currently achieve your desired outcome, if at all?

8. How *willing* would you be to alter the way you currently achieve your desired outcome?

9. To adopt [alternative provider's product], you might have to give up the one you currently use. How do you feel about this trade-off?

   a. *If you feel resistant to the trade-off*: would this resistance prevent you from switching providers, even if an alternative were more effective than the one you currently use?

   b. *If you do not feel resistant to the trade-off*: what incentive would you need to make a voluntary switch to a new provider's product (i.e., is improved functionality sufficient, or would you make the decision entirely based off price)?

10. When you consider our organization's product relative to one you currently use (if it is not ours), do you think:
    a. It could fully replace your current product
    b. It could partly replace your current product
    c. It could be used in addition to your current product
    d. It could not replace your current product

D. Perception Questions

1. How do you view [Company's] [product line OR service]? (Note: Open-ended questions will form a small but valuable part of your conversations with clients: unprompted responses can give you insights you might not glean any other way).

2. What is most important to you about our [product/service]? OR: What is most important to you when you complete [activity]?

3. What other factors are of importance to you? —— Identify all factors of importance to the customer.

4. Can you rank all factors on a scale of 1 to 10 (10 most important)? ——

5. How important is it for [Company] to meet those expectations you've just presented? Can you state the importance in quantifiable terms (e.g., a dollar figure)?

6. To summarize, [restate top value-drivers] are most important to you when dealing with [Company] or [performing Activity]. Please tell us which of these are:
    a. Absolutely necessary —— Ask customers to make trade-offs.
    b. Not critical but important
    c. A value-added bonus

7. Some customers have asked for [insert product/idea-specific detail/feature here]. For you personally, this is:
    a. Must have —— Ask customers questions with specific, quantifiable responses.
    b. Nice to have
    c. Something I might use
    d. Something I'd never use

Page 2 of 2

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP FOUR: INSIGHT PRIORITIZATION

Tool #1: Voice of the Customer Prioritization Guidelines

Overview

What is it?
A framework for prioritizing insights gathered through your online listening and in-person interviews.

Why should you use it?
It will help you determine which customer needs and preferences most affect purchase decisions, satisfaction, and share of wallet. The next tool (Satisfaction/Importance Matrix) will help you prioritize these gathered insights.

Voice of the Customer Prioritization Guidelines

Guideline #1: Rank customers' value-drivers based on insights collected online and through one-to-one interviews.

Consider how you might categorize your potential product against these factors.

Customer Needs Prioritization Categories

Category	Description	Examples
Things you have to do ("must have")	Baseline expectations for performance; failure to get these right will result in customer attrition	Long-lasting battery; awareness of incoming communication; prevention of inadvertent setting changes
Things you should do	Any change in performance directly affects customer satisfaction (either positively or negatively)	Billing accuracy; customer service quality; warranty protection
Things that will delight	Important but not critical: absence does not harm satisfaction levels, but its presence may increase satisfaction levels	Web access through phone; touch-screen functionality; MP3 compatibility

Responses to your trade-off questions will fall into one of these three categories.

Guideline #2: Cross-reference your company's performance against customers' top value-drivers.

Prioritize and analyze customers' "must-have" value drivers.

Must-Have Value-Drivers Analysis Template (Sample)

Prioritized Must-Have Value-Drivers	Long-lasting battery	Awareness of incoming communication	Prevention of inadvertent setting changes
Customer Requirements	"I can use my phone continuously for eight hours without charging."	"I always know when I'm getting a call."	"My phone never does anything I don't want it to do."
Customer Expectations	+/- 2 hours in customer-expected usage time	Don't miss more than 3 calls per day	Settings stay the same unless altered by user; lock panel is easy to use
[Company's] Ability to Meet Requirements	Current battery lasts an average of four hours with continuous usage	Volume, ring, and vibrate options are featured on current model	Screen lock function is featured on current model
[Company's] Ability to Meet Expectations	Poor: Average falls outside of margin of error	Good: we control what we can control	Medium: Lock panel is hard to locate/activate

High-priority, unmet needs warrant closer examination.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP FOUR: INSIGHT PRIORITIZATION (CONTINUED)

Tool #2: Satisfaction/Importance Matrix[29]

Overview

What is it?
A framework for base-lining your company's current performance in serving customers.

Why should you use it?
It will help you consider your company's activities and service from the customer's point of view. You may want to build these questions into Part A of the Voice of the Customer Interview Template.

SATISFACTION / IMPORTANCE MATRIX

	Low (Satisfaction)	**High** (Satisfaction)
High (Importance)	**Trouble Zone** Underperformance with these essential activities has the potential to alienate customers; focus capability, product, and service improvement on these areas.	**Loyalty Drivers** These activities are part of the foundation your company's success; continue to invest in maintaining this high level of performance.
Low (Importance)	**Low Priorities** These activities offer no value to customers and no return on investment; there is no urgent need to invest in enhancing these capabilities.	**Differentiators** These non-essential activities can positively affect the customer experience, though their absence may not harm it. Consider maintaining if the activities are low-cost or can be indirectly tied to revenue (conversely, this may be an area to reduce service and improve overall profitability).

CUSTOMER'S IMPORTANCE (vertical axis)

CUSTOMER'S SATISFACTION (horizontal axis: Low — High)

(Directions listed on the following page)

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP FOUR: INSIGHT PRIORITIZATION (CONTINUED)

Tool #2: Satisfaction/Importance Matrix (Continued)

Directions

1. Ask your customers to rank your company's performance against the categories listed below on a High, Medium, Low scale:

2. Take the average for each response and plot on the grid accordingly.

Categories

For each category, ask the customer, "How would you rank your own experience regarding…?" and, "How important is this to you personally?" Next, prioritize these categories' overall importance to your business.

Category	Satisfaction	Importance	Ranking
Quick delivery	High	High	1
On-time delivery	Medium	High	5
Flexibility	Medium	Low	10
High quality, few errors	High	High	2
The ability to document value	Low	Low	13
The ability to listen to my needs and act accordingly	High	High	3
Understanding of my business and my needs	Low	High	7
Proactiveness	Medium	Medium	8
A service-minded attitude	High	Medium	6
A single point of contact	High	High	4
Delivery across channels	Medium	Low	12
Width and depth of systems and / or platforms	Low	Medium	9
Industry leadership	High	Low	11

This list is not comprehensive; add to it whatever categories are most relevant for your business.

These scores and rankings are for demonstration purposes only.

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP FOUR: INSIGHT PRIORITIZATION (CONTINUED)

Tool #3: Product Features Association Matrix

Overview
What is it?
A visual guide to buyer behavior within specific segments; it specifically illustrates how key factors might influence a purchase decision.
Why should you use it?
It will help you identify not only what may influence a customer segment's purchase decision, but which capabilities would enable you to take advantage of those influences. In turn, these insights can help focus your efforts on key customer value-drivers.

Purchase Influence Association Matrix (Sample)
Customer Segment: _____

Correlate purchase influencers to identify potential synergies	Manufacturer Reputation	Tested & Proven Technology	New & Sophisticated Technology	Enhanced Daily Driving Experience	Automated Driver Responses
Manufacturer Reputation	N/A	-	-	-	-
Tested & Proven Technology	.583	N/A	-	-	-
New & Sophisticated Technology	.403	.345	N/A	-	-
Enhanced Daily Driving Experience	.367	.369	.582	N/A	-
Automated Driver Responses	.356	.269	.586	.554	N/A

Sample Conclusion

This company collected data on the top five purchase influencers within a key customer segment and ran a regression to identify correlations between features. This exercise helped it determine that the best way to influence purchase is to either a) emphasize the validity of the manufacturer reputation, or b) emphasize the sophistication of the technology and how it automates driver responses and enhances daily driving.

(Directions listed on the next page)

Phase 1: Sensing Customer Needs

Step	Lead Customer Identification	Segmentation Analysis	Insight Collection	Insight Prioritization

STEP FOUR: INSIGHT PRIORITIZATION (CONTINUED)

Tool #3: Product Features Association Matrix (Continued)

Directions

1. List five key purchase influencers for your highest-value segment (Market Research may be able to help you identify the influencers).

2. Write these influencers along the x- and y- axis on the grid template (the objective is to look for correlations between these influencers).

3. Collect data on each of the selected drivers. Data should be based off surveys conducted with a statistically significant number of customers (32 or more). In the example shown on the previous page, customers were asked, "Which of the following attributes influences your decision to purchase a safety feature?" Responders then ranked each of the five categories in the table on a scale of 1 (not influential) to 5 (highly influential).

4. Regress all data responses for one category against all data responses for each of the other four categories (in the example on the previous page, a total of 20 regressions were run).

5. List correlations (R^2) between influencers in the grid (e.g., how strongly "manufacturer reputation" explains "proven & tested technology") to predict the most effective ways to influence customers' purchase decisions.

> Reminder! Correlation does not imply causality. A correlation between two items does not necessarily mean that the two are linked. Consider the underlying reasons you're seeing the correlation; those reasons will help you assess the credibility of the correlation.

PHASE 2: ACTING ON CUSTOMER INSIGHTS

Growth Process Toolkit
Customer Strategy

PHASE TWO: ACTING ON CUSTOMER INSIGHTS

Where Are We Now?
At this point, you have employed the Goal Statement to foster executive alignment in support of your customer strategy. You have also identified your lead customers, conducted a comprehensive segmentation and profiling exercise, and collected and prioritized customer needs and preferences.

What Do I Do Next?

Your next step is to act on this gathered intelligence by:

- Disseminating it throughout the organization
- Comparing your company's capabilities with those required to respond to customer needs
- Adjusting your company's value proposition to best target your high-value customers

Outlined below are the activities and steps you need to complete in Phase 2. The pages that follow will highlight the information and resources you need to complete each of these steps.

ACTING ON CUSTOMER INSIGHTS:
KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Insight Sharing	Prepare the organization to respond to customer needs by ensuring all executives and key client-facing employees share, receive, and retain valuable customer insights	Customer Focus Report Card Customer Focus Business Case Template
Capability Assessment	Cross-reference customers' highest needs with your organization's ability to meet those needs	Portfolio and Pipeline Assessment Checklist Competitor Capability Comparison Grid
Value Proposition Refinement	Construct a value proposition that speaks to customers in relatable and benefit-focused terms	Value Proposition Design Template Positioning Statement Template

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP ONE: INSIGHT SHARING

Tool #1: Customer Focus Report Card

Overview

What is it?
A series of dimensions that comprise an organization's commitment to customer focus and insight-sharing; the objective is to consider your company's performance across each of these dimensions relative to each dimension's importance.

Why should you use it?
It will help you identify areas of disconnect (i.e. those areas that are flagged important but receive a low score for performance). You can then commit resources to improving those under-performing dimensions and improve overall customer focus.

Customer Focus Report Card (Sample)

Dimension	Importance	Performance
Senior executives are uniformly committed to prioritizing customer needs above stakeholder requests.	High	High
Our organization provides all functions and business units with consistent access to shared customer data.	High	Low
Leadership agrees with segment profiles and demonstrates an understanding for each segment's unique needs.	Medium	Low
We monitor customer conversations through social networks.	High	High
We invite customers to share feedback through traditional Voice of the Customer collection practices (e.g., interviews, focus groups).	High	High
We actively solicit feedback from employees on customer needs.	Low	Low
We actively solicit feedback from employees on company performance in meeting customer needs.	Low	Low
We provide all employees an easy and anonymous platform for sharing customer information.	Medium	Low
We actively encourage appropriately trained employees to represent our organization and engage with customers through social networks.	High	Low
We encourage and cultivate trust and collaboration between business units and functions.	High	High

Responses indicate areas of tight alignment and areas of disconnect.

Reminder! This audit will work best if you solicit the opinion of multiple stakeholders. Their responses will help you not only identify areas of under-performance, but areas of misalignment as well. These insights can then help you structure future internal discussions and decision making.

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP ONE: INSIGHT SHARING (CONTINUED)

Tool #2: Customer Focus Business Case Template

Overview

What is it?
A series of questions that you should answer in your business case for investing in customer priorities.

Why should you use it?
It will help you write a business case that is succinct and targeted to your audience's primary concerns. It will help you cast the rationale for customer investments in terms of tangible gains to peers in functions outside Marketing (such as Operations, Sales, or Finance). Their support is critical to ensuring ongoing commitment to customer priorities.

Business Case For: *Making customer-focused investments*

> Keep it simple: do not overwhelm your readers with information that may ultimately obscure your point.

Core Message/Key Takeaway:

Highlight projected ROI, timeline and costs, and role within your company's larger growth strategy.

> Ensure executive support for by addressing priorities of specific interest to the CEO.

Strategic Overview

1) What new avenues for company growth are available to us if we make customer-focused investments?

2) How will customer-focused investments create new sales opportunities?

3) How might these investments enable us to differentiate the company's position in the market?

4) What profit margins can we expect to generate as a result of customer investments (i.e., price premiums as a result of differentiation)?

5) What activities will we prioritize based on customer needs?

6) How should we rationalize our product line through better understanding of customer preferences? What will be the cost benefits of such a decision?

7) How can we ensure consistent frontline execution in keeping with customer values?

8) What investments must we make in bricks-and-mortar (e.g., buildings, plants, store locations, channel partner locations), social networking capabilities, and staffing to improve the customer experience? At what cost?

9) How should we prepare employees for pending process or organizational changes?

> Anticipate resistance to changes in processes to accommodate customer needs.

10) How will we structure business unit leaders' incentives to ensure their collaboration?

11) How will we allocate funding for customer-focused investments?

12) How will we ensure Marketing prioritizes the most critical investments?

13) How will we quantify the return on Marketing's investments in key segments?

14) What is the amount of top-line growth we stand to lose if we do not make this investment or engage in cost-cutting measures that adversely affect the customer experience?

15) How will we quantify increased customer loyalty?

> **Reminder!** Successful business cases are (1) simple and clear, and (2) speak to the interests of the executive team.
> You are more likely to gain traction with senior leadership if you cast the rationale for product investment in terms of tangible, near-term gains that align with your the executive team's goals and incentives.

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP TWO: CAPABILITY ASSESSMENT

Tool #1: Portfolio and Pipeline Assessment Checklist[30]

Overview

What is it?
A series of questions that can help you determine where to rationalize your existing or new product development portfolio.

Why should you use it?
This activity is a critical step in acting on gathered customer insights. It will help you avoid investing in projects that are unlikely to deliver significant customer value and can help you redirect those resources to higher-ROI projects.

Portfolio and Pipeline Assessment Checklist
Evaluate existing and in-development products based on responses to the questions listed below.

☐ Is there a demonstrated and credible need or desire for the product?

☐ Can the customer buy it (e.g., would it be priced competitively, would it be distributed widely)?

☐ Does our customer research indicate a demand for the product (or is something similar to it currently succeeding in the marketplace)?

☐ Is the size of the potential market adequate?

☐ Does, or will, the product have a competitive advantage with our target customers?

☐ Can the advantage realistically be sustained, and over what period of time?

☐ How will, or have, competitors responded?

☐ Do we have superior resources that will enable us to remain competitive?

☐ Do we have appropriate management to champion this product?

☐ Can we understand and respond to the market with agility?

☐ Can the product be profitable without forcing us to take an unacceptably high risk?
- o Are forecasted returns greater than costs?
- o Are the risks acceptable?

☐ Which of the following categories best describes the product?
- o Best price for standard offering; acceptable quality
- o Superior functionality; innovative features; high quality; market or category leadership likely
- o Personalized treatment; tailored offerings; integrated solutions; service excellence
- o Something else: _____

☐ Is it in our company's and customers' best interests to continue investing in products in the above category?

Additional questions for in-development products:

☐ Is there a clear concept?

☐ Can the product be made (consider both economic and technical feasibility factors)?

☐ Will the final product/service satisfy the market?

☐ Does launching this product/service make strategic sense?
- o Does the product/service fit with our overall growth strategy?
- o Does the product/service address an identified and significant customer need?

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP TWO: CAPABILITY ASSESSMENT (CONTINUED)

Tool #2: Competitor Capability Comparison Grid

Overview

What is it?
An easy-to-use template illustrating the value each competitor (e.g., product quality, customer service, pricing) within your market delivers to customers.

Why should you use it?
It will help you identify any service gaps that you are not, but could, exploit for further gain within your current market.

Competitor Capability Comparison Grid (Sample)

Market: Medical Technology

	Core Elements of Competitors' or Incumbents' Strengths						
	Billing	Customer Service	Hosted Services	Consulting Services	Asset Management	Security	System Integration
Competitor 1		X			X	X	
Competitor 2	X	X	X			X	X
Competitor 3				X			
Competitor 4	X				X		X
Competitor 5		X	X			X	X

Conclusions
1. No service provider in this market delivers an end-to-end solution.
2. Our service offering is more comprehensive than any of those currently on the market.
3. Our specialization in consulting services may be a particularly strong element of our value proposition.

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP THREE: VALUE PROPOSITION REFINEMENT

Tool #1: Value Proposition Design Template[31]

Overview

What is it?
A series of questions and two-sentence outline to direct the development of your value proposition, which should articulate what you want your customers to value, who your most valuable customers are, and how your company is different from competitors.

Why should you use it?
It will help you write a value proposition that speaks to the specific interests of potential customers.   By applying this outline to each value proposition you write, you will also ensure consistency in messaging and tone as you refine your communications over time.

Value Proposition Design Template

Step One: Answer the following questions:

1. What is our primary business objective?
2. What exactly are we selling?
3. What are the segments we will serve?
4. Which segments will we not serve?
5. What must we offer the target segment to meet its needs?
    a. Will it be just the core product, or will it be a complete solution that augments the core product with personalization and support services?
6. Why should the target customer buy our offering?
    a. Does it increase customer productivity?
    b. Does it simplify the customer's ability to complete a job or achieve a desired outcome?
    c. Does it offer greater convenience to the customer?
    d. Does it reduce the customer's risk?
7. How well does our firm's offering compare to competitors' offerings on the key value attributes?
8. What is our business model for delivering and monetizing customer value?
9. What business activities are necessary to create the value that we promise to customers?
10. How do we make money while creating value for our customers?

Step Two: Fill in the following blanks:

For [target customer] who [specific needs, buying criteria], we provide [solution name/description] that [specific benefits to customers]. Unlike [our competitors], who [competitors' solutions, features, benefits], our company offers [unique benefits, different-in-kind solution] that [how they improve the customer experience; quantify if possible].

Reminder! An effective value proposition does not rely on multiple adjectives: whenever possible, favor customer voice, data, and anecdotes over flowery prose or superlatives. Your value proposition should also be realistic: while it may be tempting to make your value proposition aspirational, it will be of greater use to your sales team if it accurately reflects your company's positioning within a new market. Finally, involve a representative cross-section of the executive team (Sales, Marketing, Communications, and Market Research, among others) in the design of the value proposition. It will help you ensure commitment to your company's messaging within the market.

Phase 2: Acting on Customer Insights

Step	Insight Sharing	Capability Assessment	Value Proposition Refinement

STEP THREE: VALUE PROPOSITION REFINEMENT (CONTINUED)

Tool #2: Positioning Statement Template

Overview

What is it?
A template covering six key aspects of any product's/service's positioning strategy. It will force you to define positioning across several critical attributes, further focusing marketing and communications planning (addressed in Phase 3).

Why should you use it?
It delivers a comprehensive and concise description of product/service positioning to all stakeholders. It can also help you avoid any deviations from agreed-upon positioning. You may find that this template translates well as a presentation tool as well.

Positioning Statement Template
Product/Service:

These categories will be less relevant to B2B companies.

Target Customer	Customer Behavior
- Demographics - Life stage and income - Psychographics	- How will [Product/Service]'s functionality appeal to customers or entice them to buy? - How might [Product/Service] engage customers from an emotional perspective?
Context Within Brand	**[Product's] Role in Portfolio**
- How does [Product/Service] support our core brand Values? - How do our core brand values support [Product/Service]?	- What does [Product/Service] offer that is currently absent from our product portfolio? - How does [Product/Service] support our long-term brand strategy?
Pricing	**Competitor Outlook**
- What is the client's willingness to pay? - What are the highest and lowest price points we should consider? - What do we want to achieve in volume and profitability?	- Who will be the primary competitors with [Product/Service]? - Which of our competitors' products will compete directly with [Product/Service]? How should we address our go-to-market strategy?

Reminder! This is a critical vision–setting activity for the executive team. Involve as many key stakeholders as you can: Marketing, Sales, Research & Development, and Corporate Communications should all be represented.

PHASE 3: COMMUNICATING WITH CUSTOMERS

Growth Process Toolkit
Customer Strategy

PHASE 3: COMMUNICATING WITH CUSTOMERS

Where Are We Now?

Completion of the exercises featured in Phase 2 has enabled you to:

- Disseminate gathered customer insights throughout the organization
- Cross-reference customers' needs and preferences with the company's best and most unique capabilities
- Modify the value proposition to best resonate with customers' desired outcomes

At this point, you should have a strong sense for what customers want, what they want the most, and what your organization is best-equipped to provide.

What Do I Do Next?

Your next step is to determine how you want to communicate a new value proposition to customers. Phase 3 will help you (1) build a marketing plan that leverages traditional and emerging channels, and (2) support the sales force.

Outlined below are the activities and steps you need to complete in Phase 3. The pages that follow will highlight the information and resources you need to complete each of these steps.

COMMUNICATING WITH CUSTOMERS:
KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Marketing Planning	Tailor communications to customers at each stage of the buying process with through traditional and social media channels	Channel Reach / Clutter Matrix Social Media Planning Template
Sales Support Planning	Ensure the sales force consistently and accurately communicates the company's value proposition, pursues high-value leads, and engages in relationship-deepening activities with customers	Value Communication Grid Lead Qualification Scorecard

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING

Tool #1: Marketing Channel Reach/Clutter Matrix

Overview
What is it? A framework for determining whether your customer communications strategy is well served by a given channel's **reach** and **clutter**. **Why should you use it?** You need to assess the match between your communications objectives and the resources required to communicate effectively through a given channel. Such a perspective will help you understand the strengths and weaknesses of each channel you evaluate and enable you to make more informed media mix decisions.

MARKETING CHANNEL REACH/CLUTTER MATRIX

	Low Clutter	High Clutter
REACH* High	**Golden Opportunity** Potential to reach a high number of customers with a high level of communications resonance (Example: Twitter)	**Crowded Space** Potential to reach a high number of customers but with variable message recall (Example: TV)
REACH* Low	**Possible Winner** Potential to target a specific customer group with a high degree of resonance through an emerging channel (Example: Wolfram Alpha Search)	**Loser** Potential to connect with customers on a memorable level is low; consider removing these channels from your media mix (Example: Direct Mail)
	Low	High

CLUTTER*

*A Note on Reach and Clutter
Frost & Sullivan defines "reach" as the ability of a marketing channel to communicate with customers and "clutter" as the measure of noise within that channel.

(Directions listed on the following page)

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #1: Marketing Channel Reach/Clutter Matrix (Continued)

Directions

1. Plot each potential marketing channel you are considering according to responses given for the questions listed below.

2. Rank each response to those questions based on a High, Medium, Low scale. Take the average for each category and plot on the grid accordingly.

Questions

A. Marketing Channel Reach

1. To what extent can you expect to provide customers with information about your market entry and/or product offering through this channel?

2. How attractive is this channel within the context of your company's communication strategy?

3. How would you rank the power of this channel relative to alternatives?

B. Marketing Channel Clutter

1. How likely would it be for customers to *forget* a message conveyed through this channel?

2. How likely would it be that your message would *compete directly with others* conveyed through this channel?

3. How likely would it be that your company's message would be *drowned out by channel noise?*

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #2: Word-of-Mouth Communication Guidelines[32]

Overview

What is it?
A set of guidelines that can help you open communication with early adopters or key influencers within a market and convert them into active proponents of your product or service offering.

Why should you use it?
Word-of-mouth testimonials can help you build awareness of your offering or brand in a way that no conventional advertising can match. By tapping into this type of network and using it to your advantage, you can spread information with a high level of resonance at relatively little cost. As noted previously, social media has dramatically increased the impact of word-of-mouth communications on corporate reputation and sales opportunities.

Guideline #1: Identify highly-networked early adopters loyal to your brand

The survey questions listed below will help you uncover more about how your early adopters feel about your company and how willing they would be to spread awareness about your entry into the market or your product offering in general. (Note: In addition to surveying customers, you also need to provide simple and systematic ways for them to regularly volunteer feedback – e.g., user group hosted on your company's Web site).

☐ Would you currently recommend our brand or any of our products to individuals within your network (e.g., friends, family, colleagues, customers)
  - Yes
  - No
  - Don't know

  > You may be able to capture testimonials for future use.

  > This input can help you craft more tailored marketing communications.

☐ *If "yes"*:
  - What do you specifically appreciate about our brand or our products?
  - What do you specifically say when you make a recommendation?
  - Can you quantify the value you receive from our company's products?
  - How often, and in what forums, do you recommend our brand or our products?
  - Based on your previous experiences with us, would you be willing to tell your network about us?

☐ *If "no" or "don't know":*
  - What could we do to improve or change to earn a recommendation from you?
  - If we could alter your opinion about us, would you consider recommending us to individuals within your network?

  > This input may provide you with an opportunity to repair fractured relationships.

(Continued on the following page)

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #2: Word-of-Mouth Communication Guidelines (Continued)

Guideline #2: Maintain continuous communication with your early adopters

Listed below are several steps you can take to help your customers understand and spread the word both about your core offerings and your new product.

☐ Populate your Web site with articles, product reviews, links to related resources, and upcoming events that relate to your specialty or industry area.

☐ Establish a user community: online bulletin boards, email discussion groups, blogs, or in-person events can all serve as effective forums for engaging your most loyal customers.

☐ Treat your most loyal customers differently: a separate community for these individuals will help make them feel as though they are a part of an exclusive group who receive special benefits; be sure to give these few all the materials they need to spread the word about your new product.

☐ Invite customers to help you develop a community program; watch for the individuals who are eager to help.

Guideline #3: Leverage networks to break through the clutter

The following checklist can structure your efforts to build buzz about your new product or service through word-of-mouth channels:

☐ Assess current buzz regarding your company and/or market entry by searching social networking sites, blogs, and Reviews (see Online Listening Guidelines for more information).

☐ Identify network hubs for the new market and assess the strength of your relationships with individuals running those hubs.

☐ Feed information about your new product or service to your key influencers and solicit their feedback in turn.

☐ Build a narrative around your company and/or product offering that will resonate with your influencers.

☐ Design an innovative customer experience that will generate buzz in the user community (e.g., invite early adopters to the plant or headquarters).

Guideline #4: Tie your market entry to a cause embraced by your early adopters*

The activities listed below can help you identify an issue of emotional significance to your customers that could be linked to your market entry efforts:

☐ Research societal issues that affect significant numbers of your target customer segment.

☐ Determine if your company can support a charitable cause that addresses any of those issues.

☐ Identify points of overlap between a given issue, its related charitable causes, and the identity of your brand and your new product.

☐ Consider marketing communications focused on contextualizing your value proposition within your company's larger efforts to champion causes that resonate with your most-valued customers.

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*Note: While corporate social responsibility and marketing initiatives may have points of overlap, we recognize that they coexist most effectively when the cause and the brand have a long-standing relationship (e.g., Ben & Jerry's brand ice cream and the environment). Customers can sense disingenuousness, so we caution against championing a cause based solely off word-of-mouth appeal.

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #3: Social Media Planning Template[33]

Overview

What is it?
A list of questions to help you structure your approach to social media communications.

Why should you use it?
It will help you articulate the aims of your social media strategy and establish specific targets that you can use to determine the strategy's performance. It will also help you present your information to key decision makers; you can use this template independently or incorporate these categories into the Customer Focus Business Case Template.

Social Media Planning Template
Core Message/Key Takeaway:

Highlight projected ROI, timeline and costs, and role within your company's larger growth strategy.

Strategic Overview

1) What is the purpose of our social media strategy (e.g., influence opinion, engage customers)?
2) What opportunities can we pursue through social media?
3) What challenges must we overcome?
4) What business units and functions will be most affected by our social media strategy?
5) How might competitors respond to us through social media channels?
6) How can we detail place, participation, purpose, and promotion (a social media spin on the traditional four P')?

Customer Insights

1) Which segments do we specifically plan to target through social media channels?
2) What are those segments' key value-drivers?
3) How do those segments currently perceive our brand? What is the prevailing sentiment?
4) Which social networks, communities of interest, and blogs do these segments typically frequent?

Social Media Entry
For each network, community, or blog:

1) What are the recommended activities and rules for connecting with customers through a given channel?
2) What is the culture or social climate within a given channel?
3) What are the resources required to build and sustain a presence within the channel?
4) What is the projected budget?
5) What is the appropriate production schedule?
6) What are the roles and responsibilities of those who will manage communications through a specific channel?

Conclusion

1) What are the possibilities and potential that social media holds for our company? What are the risks?
2) What are the next steps?
3) What is the time frame we want to follow for this project?
4) What are the metrics we will track over time? Consider:
    a. Total number of conversations captured
    b. Number of active networks
    c. Sentiment (positive, negative, neutral)
    d. Perceptions
    e. Reach
    f. Network reach

This list is a sample of social media metrics you may want to track; for additional metrics, reference the Social Media Performance Dashboard.

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #4: Customer Network Creation Guidelines[34]

Overview

What is it?
A framework for planning and building an online community for your highest value customer segments

Why should you use it?
A community of tightly connected customers can aid your social media strategy, whatever it may be (engaging with customers, collaborating with them on new product innovation, customizing offerings to their specific needs). Communities of like-minded individuals will form with or without your involvement, so it is in your company's best interest to help shape those forums and discussions.

Customer Network Creation Guidelines

Guideline #1: Set Objectives

Articulate what you want your customer network to achieve. This understanding will influence how you develop your network and how you will define its success.

Innovation objectives
- Capturing and evaluating customer input and ideation
- Differentiating products
- Differentiating service
- Expanding the capacity for innovation

Communications objectives
- Managing reputation and crisis response
- Breaking through media clutter
- Improving product support and documentation
- Mobilizing employees through better communications

Marketing objectives
- Amplifying positive customer word-of-mouth
- Marketing to hard-to-reach or high-value niche customers
- Generating new customer leads
- Achieving greater efficiency in online sales channels

Operations objectives
- Extending the global reach of your business
- Lowering customer service costs
- Increasing productivity despite limited resources
- Increasing speed of business decision making

Guideline #2: Profile the online behavior of segments you want to target

Leverage insights gained through your segmentation activities to determine how your customer network strategy should be modified to resonant best with a specific group.

- How do customers' values and behaviors translate online?
- What is their level of social media adoption?
- Which social media channels are they already using?
- How do customers in our target segments perceive our brand?
- How should our outreach either reinforce or attempt to change those perceptions?
- How will we ensure that interactions occurring through our customer network support our value proposition?

Page 1 of 2

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #4: Customer Network Creation Guidelines (Continued)

Customer Network Creation Guidelines

Guideline #3: Structure the type of dialogue you want the network to facilitate

Your customer network will work best if you determine which objective is most important to your organization and keep that objective as the focal point of your customer network strategy.

- Which objective (e.g., engage, collaborate) best supports our larger communications goals?
- What kind of content will be most valuable and relevant to our customer segments?
- What drives access for our customers? Do they make heavy use of the mobile web? Is data portability critical? Are simplicity and speed of online transactions critical motivators?
- Why, where, how frequently, and with whom are customers already connecting online?
- Are they better reached in a broad social networking platform in which they already participate, or are they open to joining a more specialized one?
- Do we already have passionate followers who believe in our company and would voluntarily contribute to our network?
- Would contributors be more motivated by commercial incentives?
- Do we have any customer segments with specialized skills that could collaborate with us?
- Would our collaboration do better to rely on a broad pool of contributors without deep expertise?

Guideline #4: Consider how new capabilities could support your customer network strategy

Ideally, your strategy will leverage your company's unique and best capabilities. Occasionally, however, you may need to invest in new capabilities to ensure the success of your customer network.

- Social media: A team focused on communicating with customers through Facebook, Twitter, or other discussion forums
- Idea capture: A team responsible for capturing, assessing, and directing ideas from customers in order to feed them into product innovation and business process improvement
- New media production: A team in charge of generating and updating content for customer networks; this content should be high-quality, usable information (never an overt sales pitch), and it should be targeted to customers, not the press (i.e., should never sound like a press release).

Page 2 of 2

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #5: Social Media Navigation Map[35]

Overview
What is it?
A framework that will help you map the right social media tools to the corresponding stage in the buying process.
Why should you use it?
Social marketing puts the focus on the buying process rather than the sales cycle. By engaging in conversation through online channels throughout each stage of the buying process, you can help cultivate and capture leads, navigating early-stage buyers toward a favorable decision.

Social Media Navigation Map

Stage in Buying Process	Social Media Tools
Customer purchase state:	
Has a need	Search analysis Twitter Online communities
Recognizes need	Blogging Word-of-mouth marketing Search analysis
Decides to act	Twitter Postings to forums Blogging case studies Search marketing
Becomes aware of provider options	Blogging / Twitter Online product placements in Youtube and other venues
Becomes aware of specific product offerings	Blogging / Twitter Search engine optimization
Company objectives:	
Maintain visibility	Messaging to follower lists Blogging Informational webcasts
Develop and deliver the right product / solution	Customer communities Crowdsourcing Open beta / usability testing
Make it easy to buy	Twitter Affiliate marketing
Continue the relationship	Blogging Twitter Customer communities Affiliate programs

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP ONE: MARKETING PLANNING (CONTINUED)

Tool #6: Social Media Code of Conduct Checklist[36]

Overview

What is it?
A list of considerations to ensure compliance with company policy for communications through social media.

Why should you use it?
It is easy for communications through blogs, wikis, social networks, virtual worlds, or other sites to become overly informal, personal, or combative. A strict list of do's and don'ts can help employees know the limits of appropriate information-sharing, and the consequences for over-stepping those lines.

Social Media Code of Conduct Checklist
Consider building the following guidelines into your company's code of conduct for all social media communications.

- ☐ Stick to your area of expertise (write what you know)
- ☐ Pause before posting
- ☐ Stay on message
- ☐ Don't pick fights
- ☐ Be polite when disagreeing
- ☐ Respect those with whom you're engaging
- ☐ Respect the forum in which you participate
- ☐ Keep things conversational and reinforce the personality and value of the brand
- ☐ Apologize when necessary
- ☐ Be accountable for your actions
- ☐ Be polite and honest about competitors' capabilities and reputation
- ☐ Respect proprietary information
- ☐ Respect copyright and disclosure laws
- ☐ Never comment on litigation
- ☐ Never participate in social media when the topic being discussed may be considered a crisis situation
- ☐ Follow all standard corporate codes of conduct
- ☐ Be transparent and judicious
- ☐ Don't cite or reference clients, partners, or suppliers without approval
- ☐ Add a disclaimer if you publish to any web site outside of your own company's
- ☐ Find out who else is blogging on a given topic and cite those individuals
- ☐ Know when to refer mainstream media queries to the director of public relations

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP TWO: SALES SUPPORT PLANNING

Tool #1: Value Communication Grid

<table>
<tr><td colspan="2">Overview</td></tr>
<tr><td colspan="2">What is it?
A discussion framework that helps sales representatives map customers' high-level goals to the specific capabilities offered by your company.</td></tr>
<tr><td colspan="2">Why should you use it?
It will help sales representatives address customers' stated needs, while confining the conversation to terrain where your company has a specific competency. Customer conversations will therefore revolve around your company's core value proposition and align with Marketing's messaging, while simultaneously allowing a discussion to take place on the customer's terms.</td></tr>
</table>

Value Communication Grid (Sample)
Company: B2B Technology Company
Customer: Consumer Electronics Company

Our customer's high-level need	Things customer should do to meet need	How can we help?	Our company's core capabilities			
			Cap. 1	Cap. 2	Cap. 3	Cap. 4
Increase share of wallet with their own customers	Improve product performance	We can give the customer better components	✓		✓	
	Increase portfolio variety	We can help them customize offerings		✓		✓
	Update products more frequently	We can help them with product development collaboration	✓	✓		
Protect market position	Increase barriers to entry	Increase leverage of existing IP in product design		✓	✓	
	Increase customer switching costs	Implement design for product linkages / dependencies	✓			✓

Sales reps begin with a discussion of customers' strategic needs or value-drivers.

They then identify the specific activities that customers must complete if they are to achieve their high-level objectives.

Fill in your company's key processes or capabilities, and map them to customers' stated priorities.

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP TWO: SALES SUPPORT PLANNING (CONTINUED)

Tool #2: Lead Qualification Scorecard

Overview

What is it?
A weighted scorecard that will help you: (1) articulate and prioritize the characteristics of high-value customer leads and (2) evaluate each partner according to those criteria.

Why should you use it?
It will help you determine (1) which customer criteria best define a qualified lead and (2) which customers meet the standards you have set. Highest-scoring leads can then receive top priority for further cultivation, and you will be able to avoid pursuing low-scoring opportunities.

Lead Qualification Scorecard (Sample)
Customer:

Note: These scores and weightings are for demonstration purposes only.

Key Criteria	Weight	Yes	No	Unknown	Score
Not a heavy user of competitive products	10	X			10
Relationship with existing supplier less than 5 years old	10	X			10
Financially viable organization	10			X	0
Existing relationship with our company	5	X			5
Employs a partnership mentality	10			X	0
Formal buying process in place	8		X		0
We know who the key decision maker is	6	X			6
We have a good relationship with the key decision maker	6	X			6
Is actively looking to switch suppliers	4			X	0
Understands our value proposition	6			X	0
Is not likely to be acquired or merge with another company	3		X		0
Senior leadership is stable (i.e., not constantly undergoing change)	7	X			7
Does not engage in a lengthy purchase cycle	5			X	0
Located near a distribution center	10		X		0
Total	100			# YES RESPONSES: 6 #NO RESPONSES: 3 # UNKNOWN RESPONSES: 5 LEAD SCORE: 44 (44 out of 100 possible points)	

Phase 3: Communicating with Customers

Step	Marketing Planning	Sales Support Planning

STEP TWO: SALES SUPPORT PLANNING (CONTINUED)

Tool #2: Lead Qualification Scorecard (Continued)

Directions

1. List all criteria that would characterize a best-fit customer. This should be an interactive exercise and help enforce consensus on intentions articulated in the Goal Statement; criteria should also reflect insights gleaned through insight collection and segmentation activities.

2. Weight these criteria on a scale of 1 to 10, assigning point values that total 100. The higher the score, the greater the weighting.

3. Check "yes", "no", or "unknown" for each attribute.

4. In the scoring column, assign the number of weighted points for a "yes" response and 0 points for a "no" or "unknown" response (e.g., if a criterion is worth 5 points and the lead meets the criterion, you would check the "yes" box and then place a 5 in the "score" column).

5. Final score equals the total value of "yes" responses.

6. Anything you score as "unknown" should be revisited – by the time you are finished filling out this scorecard for each lead, you should have no "unknowns" left.

7. You will need to determine a minimum percentage of accountability for a lead to still meet your criteria (e.g., anything scoring less than 75% – does not qualify for further exploration). For any score that comes in under this amount, you should either remove that lead from the pipeline or conduct additional due diligence to complete an unknown area (since an "unknown" can become a "yes", thereby improving a total score).

PHASE 4: REFINING THE STRATEGY

Growth Process Toolkit
Customer Strategy

PHASE 4: REFINING THE STRATEGY

Where Are We Now?

Completion of the exercises featured in Phase 3 has enabled you to:

- Coordinate your marketing efforts across traditional and social media channels
- Prepare the sales team to connect customers' value drivers to your key product or solution offerings
- Screen potential leads based off likelihood to buy and fit with your company's value proposition

What Do I Do Next?

Now that you have developed a customer-focused strategy, your next step is to gather the data that will allow you to refine your strategy over time. Phase 4 will give you the tools to collect feedback from stakeholders, perform win-loss analysis, and quantitatively measure the performance of your sales, marketing, and social media efforts.

Outlined below are the activities and steps you need to complete in Phase 4. The pages that follow will highlight the information and resources you need to complete each of these steps.

REFINING THE STRATEGY:
KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Feedback Collection	Gather data on deals won and lost; assess your organization's ongoing commitment to customer strategy	Win-Loss Analysis Collection Guidelines Organizational Alignment Audit
Performance Measurement	Monitor the ongoing performance of your sales, marketing, and social media efforts	Sales and Marketing Performance Dashboard Social Media Performance Dashboard

Phase 4: Refining the Strategy

Step	Feedback Collection	Performance Measurement

STEP ONE: FEEDBACK COLLECTION

Tool #1: Stakeholder Feedback Collection Template

Overview

What is it?
A form you can use to survey stakeholders' opinion on the performance or effectiveness of your customer strategy.

Why should you use it?
It will help you identify areas of concern that need to be addressed. Importantly, this survey will also help you maintain open communication with leadership across key functions.

Stakeholder Feedback Collection Template   Stakeholder: _____

1) How would you describe the organization as a whole?
   a. Customer-led
   b. Cost-focused
   c. Engineering-focused
   d. Other:

2) How would you describe your function's interaction with other groups?
   a. Competitive: we're all out to perform the best
   b. Combative: we argue over who "owns" revenue opportunities
   c. Collaborative: we rely on each other to complete key activities
   d. Other:

3) Do you believe that our company's customer focus is in your function's best interest? Why or why not?

4) What do you think should be our company's top priority?

5) What do you think customers most value from us?
   a. What is your function's role in delivering that value?

6) What do you think is wrong or right with our current value proposition?
   a. What evidence do you have to support your opinion?
   b. How might you change it?

7) What are you most likely to do when we receive detailed customer feedback?
   a. Discuss it with peers in other functions
   b. Continue with the status quo
   c. Try to respond without involving other functions
   d. Other:

8) Which performance measures do you think best indicate the success of our customer strategy?
   a. Net promoter score
   b. Social media activity (e.g., page views, Twitter followers)
   c. Win rate
   d. New product adoption
   e. Other:

9) Do you find that senior leadership:
   a. Actively supports a customer focus
   b. Seems misaligned on which customer priorities are most critical
   c. Sends mixed messages (e.g., customers are important, but so is cost-cutting)
   d. Other:

10) How do you think our company's performance compares to that of our top competitors?
   a. Better
   b. Worse
   c. Same

Phase 4: Refining the Strategy

Step	Feedback Collection	Performance Measurement

STEP ONE: FEEDBACK COLLECTION (CONTINUED)

Tool #2: Organizational Alignment Audit

Overview

What is it?
A diagnostic that can help you pinpoint key strengths or ongoing barriers to executing your customer strategy. (Use this tool in conjunction with the Customer Focus Report Card.)

Why should you use it?
This audit will pinpoint areas where commitment to customer focus may be slipping; you can then make necessary corrections.

Organizational Alignment Audit (Sample)

Alignment Statement	Score*	Relevant Tools
We understand the relationship between customer investments and our top-line revenue growth goals.	3	Goal Statement
Our senior executives are committed to investing in the customer experience.	5	Goal Statement Customer Focus Business Case Template
We focus on the right (i.e., highest-growth and best-fit) customers.	1	Lead Customer Identification Matrix Segmentation Process Template
We understand our customers' higher-level needs.	3	Online Listening Guidelines Voice of the Customer Interview Template
We understand which of those needs are most important to influencing purchase decisions.	1	Voice of the Customer Prioritization Guidelines Satisfaction/Importance Matrix
We work across business units and functions to see the total customer opportunity.	1	Customer Focus Report Card
Our capabilities enable us to deliver on our customers' highest-priority needs.	5	Portfolio and Pipeline Assessment Checklist
We tailor our messaging to address those higher-level needs.	5	Value Proposition Design Template Positioning Statement Template
Our marketing efforts balance the scale of widespread communication with the resonance of one-to-one interaction.	3	Marketing Channel Reach/Clutter Matrix
Social media has enabled us to:		
• surface previously unidentified latent needs	3	Online Listening Guidelines
• respond quickly to customer complaints	3	Social Media Navigation Map
• support word-of-mouth marketing initiatives	3	Word of Mouth Communication Guidelines Social Media Navigation Map
• make smarter product development decisions	5	Portfolio and Pipeline Assessment Checklist Customer Network Creation Guidelines
Our sales force ensures customer conversations align their value-drivers with our capabilities as tightly as possible.	1	Value Communication Grid
Our sales force takes a principled approach to lead follow-up.	5	Lead Qualification Scorecard
We learn from every interaction, adjusting the value proposition to reflect customers' feedback and evolving priorities.	5	Win-Loss Analysis Collection Checklist
*Scoring Key		

1 *This statement does not describe our company.*
3 *This statement partially describes our company.*
5 *This statement accurately describes our company.*

Phase 4: Refining the Strategy

Step	Feedback Collection	Performance Measurement

STEP ONE: FEEDBACK COLLECTION (CONTINUED)

Tool #3: Win-Loss Analysis Collection Checklist[37]

Overview

What is it?
A framework for conducting interviews with customers and non-customers post-sale.

Why should you use it?
It can help you build an objective basis for modifying the sales approach or value proposition to improve the win rate.

Win-Loss Analysis Collection Checklist

☐ Assemble a cross-functional team to develop the post-sale interview guide. Consider including executives from:
- o Sales
- o Marketing
- o Research & Development
- o Technical Support

☐ Designate a neutral third party to interview sales representative responsible for won or lost deals. Sales reps' responses:
- o Help inform key areas to probe in customer interviews
- o Encourage customers to think about their past deals and where they might adjust their approach in the future

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Sample Sales Rep Interview Questions ●

1) What level of product knowledge did you demonstrate during your negotiation?
2) How much time did you spend preparing for your discussions prior to meeting with the customer?
3) What kind of coaching did you receive from your manager throughout the customer negotiation?
4) Why do you feel the deal succeeded / failed? Do you feel the reasons were within your control?
5) How did you respond to the customer's questions about price, if there were any?
6) Based off this interaction, what would you do the same or differently next time?

> Since candid feedback may prove elusive, consider designating a trusted mentor or someone without a direct reporting relationship to conduct these interviews.

☐ Designate the same third party to interview a sample of won and lost customers.

Sample Customer Interview Questions

1) What was the primary reason you chose to purchase (or not purchase) from our organization?
2) What was your specific need, and how did our value proposition compare to other options?
3) How would you describe your experience with your sales representative? Was he/she prepared, knowledgeable, able to deliver a compelling presentation?
4) Would you consider engaging with our company again in the future?
5) How likely would you be to recommend us to a peer?
6) What is the one thing you would hope we would do differently next time?

☐ Create and edit reports of interview data; reports should focus on reasons for deals won and lost; examples might include:
- o Pricing
- o Customer support
- o Product functionality
- o Product quality
- o Sales rep performance

☐ Aggregate reports to establish a business case for improvement initiatives.

Phase 4: Refining the Strategy

Step	Feedback Collection	Performance Measurement

STEP TWO: PERFORMANCE MEASUREMENT

Tool #1: Sales and Marketing Performance Dashboard

Overview

What is it?
A performance dashboard template to help monitor your customer strategy's performance.

Why should you use it?
It will help monitor your sales and marketing successes and challenges and communicate results to the executive team.

A. Sales Performance: Key Metrics (Sample)

Metric	Target	Performance	Trend	Action Items
Revenue growth/total sales year-over-year	18% growth in first year	20% growth in first year	Increasing	Isolate drivers of high performance
[New product] sales as percentage of total sales	5% of total sales	3% of total sales	Tracking to hit goal	Continue with plan
Average margin	7%	8%	Above expectations	Continue incentive program
Market share	15%	12%	Trending upwards	Continue with plan
Shortage/excess of product inventory	Zero variance	$150K USD inventory excess	Over-forecasting: need to adjust	Invest in new forecasting software
# sales reps dedicated to selling [new product]	8	8	On target	Continue with plan
# sales reps certified to sell [new product]	8	6	Tracking to target	Continue with plan
Average length of sales cycle	3 months	4 months	Sales taking too long	Isolate/analyze deal barriers
Average deal size	$40K USD	$45K USD	Above expectations	Continue incentive program
Win rate	20%	12%	Below expectations	Conduct win-loss analysis

B. Marketing Performance: Key Metrics (Sample)

Metric	Target	Performance	Trend	Action Items
Number of customer complaints	0	7	Above acceptable rate	Isolate causes of dissatisfaction
Customer attrition	0	10%	Above acceptable rate	Design retention incentive program
Number of repeat buyers (i.e., retention rate)	100%	20%	Below target	Track number over next quarter
Number of product inquiries fielded	1000	1500	Above target	Continue with awareness campaign
Number of qualified leads	80	70	Tracking to target	Continue with plan
Aided/unaided [new product] awareness	100% customers surveyed recall product	50% of customers surveyed recall product	Below expectations	Reprioritize Market Research pipeline
Budget allocated versus Budget spent	$1M USD to launch	$1.2M USD to launch	Above target	Tighten budget for next quarter
Number of media mentions	12 annually	10 in 2010	Below target	Communicate with leading bloggers and journalists
Net Promoter Score	10	8	Below expectations	Invest in service quality

Phase 4: Refining the Strategy

Step	Feedback Collection	Performance Measurement

STEP TWO: PERFORMANCE MEASUREMENT (CONTINUED)

Tool #2: Social Media Performance Dashboard[38,39]

Overview
What is it?
A performance dashboard template to help you track the performance of your social media efforts.
Why should you use it?
It will help monitor key online trends and communicate results to the executive team.

A. Awareness (Sample)

Metric	Target	Performance	Trend	Action Items
Pave views	500 per month	350 per month	Y/O/Y increase	Consider updating page layout
Referring URLs	10 visits per online ad site	Varies by ad site	At target	Shift investments to higher-ROI ad sites
Inbound links or trackbacks	10 monthly	5 monthly	Below target	Add inbound links to every new blog posting
Unique visitors	100 per month	150 per month	Above target	Increase trackbacks
Social bookmarks (e.g., dig, ybuzz, reddit, stumbleupon)	Increase page views by 10%	Unique visitors up since started tagging	At target	Submit and tag web site more frequently
Search performance	#1 search result position	Middle of the pack	Below expectations	Increase bid on key words associated with our site
Web visibility ratings	#1 in industry	#3 in industry	Two competitors ahead of us	Improve SEO, social bookmarking, media outreach
Video viewership	5,000 views	7,000 views	Above target	Continue with creative team
Mainstream media references	10 annually	12 in 2010	Above target	Increase goal for 2011
Brand preferences	Top 3 in survey	Ranked #2	Above target	Promote brand survey results

B. Engagement

Metric	Target	Performance	Trend	Action Items
Time spent on site	5 minutes	8 minutes	Above target	Identify highest-activity areas
Bounce rate	0% bounce-back	15% bounce-back	Below target	Improve database integrity
Pages-per-visit	5	5	At target	Maintain status-quo
RSS subscriptions	1,000 annually	700 in 2010	Below target	Increase press outreach
Comments	8 per day	1 per day	Below target	Launch company blog
Discussion group posts	8 per day	1 per day	Below target	Revamp customer network
Return visits	50% of all visitors	55% of all visitors	Above target	Rank as qualified leads
Friends or followers	500 by year-end	250 in 2010	Below target	Link to Twitter feed from site

C. Influence

Metric	Target	Performance	Trend	Action Items
Retweets or shares	200 per Tweet	50 per Tweet	Below target	Increase frequency of Twitter postings
Share of online buzz	5x more than competitors	Same as competitors	Below target	Increase awareness activities
Mainstream media endorsements	1 print; 2 blog	3 print; 1 blog	On trend	Reach out to bloggers and online networks

END NOTES

Growth Process Toolkit
Customer Strategy

END NOTES

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