

Customer Centricity: Cornerstone of Greater Profitability

MANUFACTURER OR SERVICE PROVIDER – WHATEVER THE INDUSTRY – COMPANIES ARE IN BUSINESS TO MAKE MONEY.

And, while the world is a big place, customers are ultimately a finite resource. So it makes sense to cultivate the most promising and profitable ones through “customer-centric” business and marketing approaches.

According to the Marketing Resource Center, it costs roughly six times as much to attract and reel in a new customer as it costs to get a repeat sale or related purchase from an existing customer. Additionally, says the market research firm Aberdeen Group, customer-centric organizations enjoy 15% or more annual improvements on critical benchmarks like return on marketing investment, gross revenues, and customer retention.

BECOMING CUSTOMER-CENTRIC

While the benefits of being customer-centric are obvious, the path that leads to true customer centricity is less clear. According to Cristian Mitreanu, founder of RedefiningStrategy.com, “customer centricity has a dirty little secret... it is the concept with one of the loosest definitions out there.”¹

Mitreanu says most business executives define customer centricity as the capacity to understand and respond to customers’ expressed needs. That may have been true in the 1960s, notes Mitreanu, but, today, companies need to understand the real need behind the expressed demand, plus entire clusters of related needs and “hierarchies of issues.”

Additionally, the entire organization must embrace customer centricity if a company is to implement it successfully.

“It may sound like a cliché, but everybody should think in terms of customer benefits rather than product features,” Mitreanu writes. “Every employee should be aware of the issues that their customers are trying to address, in order to take the right actions in helping customers with their issues.”

Customer centricity also requires aligning the organizational structure so that customer information flows smoothly to all levels and functions. “This is not about restructuring, but about fine-tuning information channels, allowing knowledge about the customer to flow freely throughout the organization,” Mitreanu explains.

Customer centricity requires nothing short of culture change, adds Donna Fluss, founder of DMG Consulting, which specializes in developing customer-focused business strategies.²

When the CRM movement began in the mid-1990s, Fluss writes, it promised to provide a “holistic” view of customers. But most CRM software failed to deliver on this promise, due to the complexity of data integration.

Today, the technological side of the equation has been solved. Yet customer centricity is still a goal, rather than a reality, for many organizations.

Why? The answer is corporate culture, says Fluss. “Changing corporate culture is extremely challenging and time consuming. Management is (relatively) quick to change systems, in part, because it’s easier than changing their culture, due to conflicting goals among the primary customer-facing departments (sales, marketing and service). In the drive to achieve goals, each department loses sight of customers as people and sees them only as ‘objects’ that need to be optimized. Clearly, the obvious answer is to shift the focus back to customers and to align corporate goals.”

Fluss points to retailer L.L.Bean as one of the most widely known examples of a company that has successfully aligned the goals of its customer-facing departments. Customer centricity has been a core value of the Maine-based company since its inception in 1912. Its founder, Leon L. Bean, believed “you should sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more,” according to the company’s website. Even though the Bean family is no longer involved in the business, Leon Bean’s service philosophy continues as the standard underpinning the company’s success to this day.

FULFILLMENT: ANOTHER CRITICAL CUSTOMER-FACING FUNCTION

Fulfillment is an integral – though often undervalued – component of nearly every customer-centric initiative. The interactions between your fulfillment partner and your prospects and customers play a large role in their satisfaction or disappointment with your company. To them, at that moment, the fulfillment function is the face of your company. If they are happy with their fulfillment experience, it can create opportunities for cross-selling and upselling additional services or products to complement and enhance the products or services in which they initially expressed interest. Fulfillment can, literally, make the difference between lost business and a lifetime customer.

Additionally, your fulfillment vendor has technology and services that can help you implement customer-centric strategies and approaches. For example, combining the technologies of print-on-demand and design-on-demand enables companies to customize collateral with a few clicks of a mouse, adapting marketing messages, graphics and other variables according to industry, product mix, previous purchasing patterns, geography and other demographics. A survey by the Digital Printing Council found that tailoring direct mail pieces increases response rates by more than 500% over a basic, non-personalized piece.

Customer-centric communications are even more effective when coupled with cost management efficiencies in developing, producing, distributing and storing marketing materials — an area in which partnering with the right fulfillment company can make a world of difference to your bottom line. Good fulfillment vendors do more than make sure the right materials get into the right hands at the right time. Because they routinely capture and organize data that helps you manage your collateral and your marketing activities, they are also ideally equipped to help you optimize your communications to make them more effective and less expensive.

Ideally, optimizing communications includes streamlining production, distribution and inventory, while making collateral more customer-centric and cost-effective. It achieves this goal by aligning a company's overall marketing objectives with communication best practices. The first step is to analyze your current communication materials in relation to critical factors like target markets, audience demographics, specific objectives, customization needs, and other relevant variables. This helps you develop a sound business and cost-benefit rationale for each of your marketing communications, so that you create only the materials you need.

Next, your fulfillment company will make recommendations to revise, redesign, combine, eliminate and/or add materials, as needed to achieve your company's marketing objectives cost effectively. Your partner will also suggest ways to streamline your underlying production processes – for example, recommending when to use digital print, rather than offset, or how to use a combination of the two processes for maximum impact at minimum cost. Finally, your fulfillment company will also look at distribution and storage options – another area where great cost-savings can be achieved by overcoming obsolescence and using just-in-time production methods.

The third step in optimizing marketing communications is to automate production, ordering and fulfillment. Virtually all fulfillment companies now offer web-based interfaces that allow marketing, sales and distribution personnel to order and track delivery of the materials they need online. You should also look for real-time reporting to enhance inventory management and decision-making.

Customer-centric communications — communicating with customers and prospects in a way that's relevant and helpful to them — can help your company build market share, increase market penetration, create loyalty and enhance overall profitability. Your fulfillment company plays an important role in making that happen. Partner with one that offers, at minimum:

- The ability to tailor interfaces to your CRM systems.
- Multiple channels for ordering materials and creating kits.
- Real-time data on inventory and usage.
- Online shipment tracking and delivery notification.
- 24/7 access to customizable reporting capabilities, to help you manage your print budget by tracking collateral usage.
- A secure, reliable network of servers.
- Allocation tools to monitor ordering trends and set ordering parameters.
- Design-on-demand interface and digital print-on-demand capabilities.
- And a willingness to work with you consultatively, to ensure that your communications are relevant, efficient and effective.

ABOUT IRON MOUNTAIN FULFILLMENT SERVICES, INC.

Iron Mountain Fulfillment Services, Inc. offers the most advanced combination of fulfillment and digital print communication solutions for targeted and personalized outreach. With 37+ years of experience in the fulfillment and digital print business, Iron Mountain partners with clients to increase customer response rates, expand market opportunities, and reduce costs. To learn more about Iron Mountain Fulfillment Services please visit <http://www.ironmountain.com/fulfillment>.

FOOTNOTES:

¹ *Next-Generation Customer-Centricity*, <http://www.leader-values.com/content/detail.asp?ContentDetailID=1058>

² *Building a Customer-Centric Organization*, http://searchcrm.techtarget.com/news/column/0,294698,sid11_gci1250713,00.html



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