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We've been there before.

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Share of Market Feeds the Ego. Share of Customer Feeds the Company.

The rivers of change have washed away business traditions and institutions aplenty. And what hasn't washed away has been turned over and around and upside down until the business landscape is almost unrecognizable from what it was a decade ago. But one business icon stands relatively unscarred and unscathed. *Share-of-market. The preeminent importance of share-of-market. It just won't fall.*

Share-of-market still survives as the leading measure of business success. And we send ourselves a variety of reassuring messages to keep it that way:

"Never mind the profits aren't quite where they should be. Strong market share will eventually take care of that."

"Never mind that customers are leaving at a faster rate than previously. New customer acquisitions will take their place. We'll never miss 'em."

"Never mind that customers say we're not responding to their needs. We're still bigger and stronger than our competitors. Besides, our brand strength will keep our customers loyal."

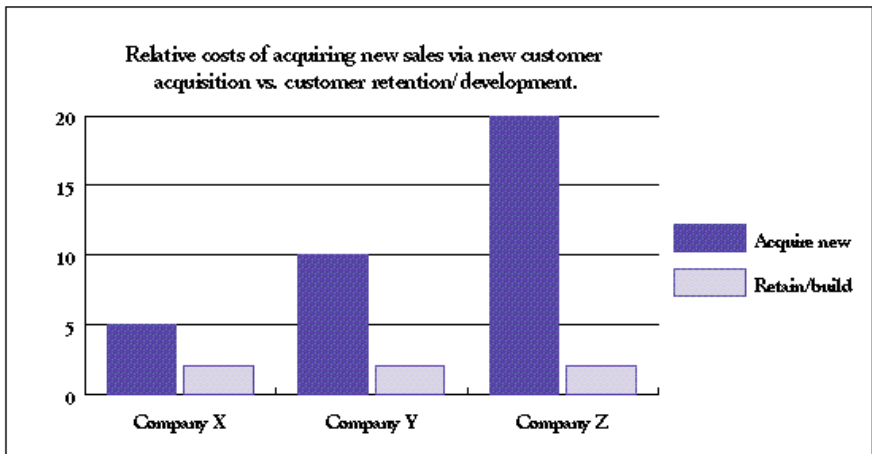
"We may lose on every transaction, but we'll make it up on volume."

"Never mind that it's costing us five times as much to generate sales growth by acquiring new customers than by retaining or expanding current customer relationships. We're on budget, and besides..."

Say what?

That's right, it costs many organizations five times as much to generate new sales through customer acquisition as it does to build sales by building stronger customer relationships. In fact, it costs some companies ten times as much. Others even twenty times as much.

Putting share of market ahead of share of customer is bad economics.



Despite these lopsided ratios, which are particularly germane to business-to-business marketing situations, the “share-of-market” icon continues to stand tall. There are several reasons why:

- *Our emotional attachment to the process of acquiring new customers. It makes us feel like we’re really doing something. On the other hand, focusing our attention on building customer relationships often makes us feel like we’re doing less—even though we’re usually accomplishing more.*
- *The common perception that building customer relationships doesn’t offer sufficient growth potential. For some organizations, there’s some truth in that perception. Regardless, why bypass “low-hanging fruit” in our rush to climb a tall ladder and stretch for hard-to-reach limbs?*
- *New customer acquisition is the “fun” part of marketing. Building relationships with current customers is “trench work” that finds few champions in marketing departments—and virtually none in advertising agencies.*
- *New customer acquisition is the “fun” part of sales. It’s also the most profitable for reps. Most sales professionals prefer the “buzz” they get from closing a new account to the quiet satisfaction of gaining more business from a current customer. Most organizations also compensate sales better for new customers than for relationship-building.*

Markets don’t buy our products. Customers do.

“The market” never bought a thing. “The market,” the collection of customers who buy ours or similar products, acts as a surrogate for real customers. Because we don’t know our customers individually (and perhaps can’t figure out how to cost-effectively reach them individually) we promote to this mythical entity called “the market” instead. Dealing with average customer values rather than individual values is not only convenient—it *appears* to be efficient. In fact, dealing with average customer values rather

Even in business-to-business marketing, mass marketing thinking and the share-of-market mindset are joined at the hip.

than real customers is the foundation of mass marketing. *Mass marketing thinking and the share-of-market mindset are inseparable.*

Even in business-to-business marketing, where “niche marketing” and “target marketing” have long been everyday phrases, mass marketing thinking and the share-of-market mindset are joined at the hip. Zeal for fully penetrating market segments, even narrowly defined market segments, leads to force-fitting dissimilar customers into segment boxes labeled with supposedly shared attributes, likes and dislikes. That lets us market to whole segments at one time.

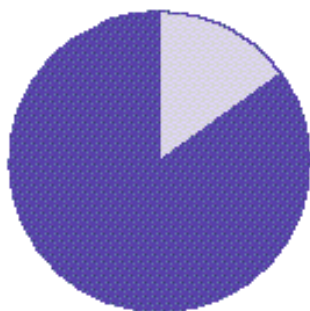
But among the traditional business beliefs washed away by the currents of change is the perception of “whole markets”—homogenous markets where similarities among customer groups far outweigh individual needs, preferences and buying behavior. The advent of new customer information-gathering and management technologies has revealed the tendency for customers to act individually for reasons and motives all their own.

So what happens when the market stops speaking with one voice? How should we react when the customer choir stops singing in homogenous tones, and we start hearing a cacophony of requests, complaints, wishes, criticisms—and perhaps start hearing customer feet walking toward the exits? That’s when we have to stop and remember who actually does the buying in the marketplace. *The customer.* That’s when we have to stop marketing to surrogates—and start marketing directly to individual customers, or to the smallest practical groups of customers that really do think and buy alike.

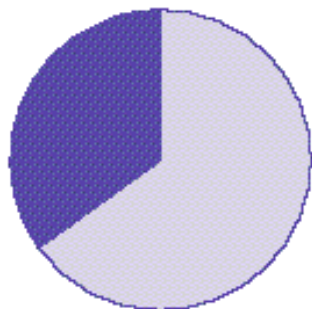
One of the costliest aspects of overemphasizing share-of-market is that it drives us to appeal to as many customers as possible. Building share-of-market pushes us to reach for lowest-common-denominators of customer need and satisfaction. Appealing to base needs and values is how we reach out to as many customers as possible as “efficiently” (but usually not as effectively) as possible. That’s the essence of mass marketing. But increasingly, when we try to satisfy everyone we risk satisfying no one.

Slice of a steadily shrinking pie. Among all of the business buzz words bandied about, here’s one you’ve probably never heard. *Individuation.* It’s used most often by psychiatrists, psychologists, and gerontologists and means expressing our uniqueness more and becoming less like other people. Individuation happens to us as we mature, a process which typically starts in our early to mid-forties. And when many of us start “individuating” together, as the early baby boomers are doing now, that further splinters the markets that are already much less homogenous than previously assumed.

1970s Consumer Market



1990s Consumer Market



One company bled to death by not tending to its customers.

Individuation is also having a profound effect on organizations. Casual dress is a good example. Commonality among corporate cultures is diminishing. Consequently, so is commonality among corporate processes, including buying. These “markets” of businesses that supposedly thought and acted alike are splintering into subsets, which in turn fragment further. Now, when we say “share-of-market” we have to qualify what we mean—because what was one market yesterday may be ten tomorrow. And maintaining share in all of them may be a money losing proposition because our products may suit some splinters much better than others—and may no longer suit some splinters at all.

Share-of-market strategies vs. share-of-customer strategies. Share-of-market vs. share-of-customer is among those decisions that have profound and lasting effects on organizations. Let’s look at several examples.

Overnight turnover. Once there was (and there is no more) a national courier service that competed with Federal Express et. al. This new player offered a unique mix of ground, charter air and commercial air cartage between delivery centers. That gave it a theoretical advantage in terms of service flexibility and line-haul costs. Customers found the flexibility and lower rates appealing, initially. But all efforts were focused on customer acquisition. Sales was compensated for new customers. Marketing never thought about customers after trial. Management set their sights on increased market share.

In a service intensive business, no formal effort was made to hold onto customers. Profitability kept falling. Black ink turned red. Customers were leaving out the back door as fast as marketing could bring them in the front door. Before long, the churn rate was .8—in other words, 100% customer base turnover every 15 months. The company had to be sold in pieces. And not for much. That was the price of putting all their eggs into the customer acquisition basket.

From 50 comes 1. A major player in the industrial electronics market once had fifty different databases containing customer information. Data was kept by each product sector or by whomever was motivated to collect it. There was no common platform or data organization. Each database was an island unto itself. And not surprisingly, multiple representatives often called on the same customer, unaware of each other’s presence.

Then the organization decided to turn 50 into 1. All customer data was converted to a common platform. Data organization was standardized. More data was collected at the customer level and forwarded to corporate—now that it had someplace to reside. Data sharing led to understanding the value of key customers—and the untapped potential of others. Suddenly it

Another leveraged customer data to build on current business.

A third grew faster and more profitably by shrinking its market.

was possible to create cross-product and cross-divisional strategies to win more business from specific accounts. Gathering, sharing and acting upon information about individual customers led to increased profitability and to much stronger bonds with key customers.

Key accounts create corporate focus. A business services company was growing rapidly by offering a wide range of services to a wide range of customers. Growth was great, market share among key service areas was even better. But profits lagged. Trying to be a dominant player, even in a narrowly defined target market, wasn't producing satisfactory results.

Rather than look for even more customers to jack up profits, this organization did something smart. It looked for less. Careful customer profitability analysis revealed that their problem was trying to service too many customers within what was supposedly "one market." Offering too many variations of the same basic services to suit companies of different sizes and shapes was diluting profits. It was also costing this organization its focus. So the company identified a much smaller number of customers that offered more concentrated potential. Instead of covering the market, this company covered its best customers. Now, not only are profits up, but growth and momentum are greatly improved as a result of focusing on share-of-customer rather than share-of-market.

In reality, there are almost as many stories like these as there are business organizations. *Virtually every business is affected by the decision whether to emphasize share-of-market or share-of-customer—even when they default to share-of-market without ever making a conscious decision.*

Developing a share-of-customer mindset. If you find yourself anxious to take advantage of customer marketing opportunities, but still influenced by share-of-market thinking, you might consider taking these steps.

“Attitude adjusters” that help you shift from share-of-market to share-of-customer thinking.

- Redefine your “markets” by what makes customers different rather than similar. Identifying what differentiates customers and their buying behavior requires collecting customer data at the customer level. Nothing fractures the concept of large, unified markets faster than learning how many unique segments make up a typical “market.”
- Base management decision systems on customer-level information, rather than market data. Market data is a surrogate for information captured at the customer level. It tries to “average” customer information in ways that let management make basic decisions — decisions that are often right for the “average” customer but wrong for most of the individual customers. Aggregating individual customer information provides a far better basis for management decisions than “market data.”

- Consolidate and leverage customer information. A large organization frequently has fifty, even one hundred or more separate repositories of customer information. Meld them together into a unified customer database and several magical things happen. First, the opportunity to leverage current customer relationships to generate new business becomes strikingly evident. Second, the cost of losing various pieces of business to a competitor who uses their leverage also becomes very evident. Third, opportunities to streamline sales and distribution become visible. And to cite one more, promotional costs often drop precipitously.
- Establish specific sales and marketing goals rather than general market goals. General growth goals create general responsibility—which usually limits or eliminates individual performance accountability. When you set goals by key account and for potential key accounts, you create the potential to track and measure performance by individual field representative and by specific marketing/sales teams.

Taking just one of these suggestions, especially in business marketing, will probably cure you of “share-of-market syndrome” for life. If your focus is on “feeding your company,” customers are more filling than markets.

About Performark

If we’ve learned one thing more than any other while helping organizations become customer-driven, it’s this: if you don’t tackle tough issues on the front end, they’ll wind up biting you, you know where. That’s why we tackled the sensitive topic of placing share-of-customer ahead of share-of-market in importance. The “share-of-customer mindset” is essential for success in customer marketing. And only you can provide that.

Key tools that we can provide include:

Database management including design, merging, applications, enrichment and maintenance for business marketing databases.

Sales inquiry management including mail and telephone inquiry capture, tele-qualification, customized fulfillment, sales lead tracking and telephone prospecting.

Sales automation data management with digital linkage capabilities for centralizing, updating and analyzing field marketing data.

Sales and marketing measurement ranging from individual sales rep performance to sales outcomes of whole marketing campaigns to customer churn rate.

But our most important contribution is often less tangible than these or other tools. We’ve been lifting the operations load off of our clients since 1984. We’ve worked with the many pioneers of “customer marketing” and broken lots of new ground ourselves. And we know the territory better than anyone. That’s a benefit to you.

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