

LET'S GET INTIMATE!

Even the most monopolistic companies have to worry about their customers, says Rob Brickle.



Rob Brickle: there may be new competition out there

Focus for a moment on the need to have any kind of customer relationship management – or not. I wrote in an earlier article that the further an industry is away from the end customer, the less important CRM is. And nowhere is that more true than in a heavy manufacturing environment. So why don't we take one as a test case – the airline industry?

In the early 1950s, there were more than 70 aircraft companies in the US, including five majors producing commercial aircraft. Today, the only major company remaining is Boeing.

In Europe it's been a similar story, with Airbus now the only recognisable major European player on the international stage – having grown astronomically to become a duopoly with Boeing in the global large commercial aircraft market.

You could argue that huge technical innovation (Airbus is credited with creating the fly-by-wire aircraft, for example) enabled the company to achieve this position; together with a need for consolidation in the industry, and improvement through greater operational effectiveness and profitability, driving competitors to the wall. All of these factors plus some others are probably true and are why we have arrived at the situation we have today.

So, if you exist in a duopoly (or even better a monopoly), and your potential customers really have no-one else to choose, do you need to bother with any kind of CRM? Your customers have nowhere else to go – or do they? No-one else is going to challenge your investment, innovation, technical ability – or are they?

15 June 2009, Paris: Best known for its bombers and fighter jets, Russian aircraft producer Sukhoi has decided to assume a completely new image with its brand new line of commercial aircraft, meant to give Russia a strong presence in the global market. The new Sukhoi Superjet 100 was the main attraction at this year's *Salon du Bourget* in Paris, marking the world's biggest air show with its debut flight. The show routinely features Sukhoi military aircraft, but this time the Russians opted to draw all the attention to their new commercial planes.

7 September 2009, Hong Kong: China unveiled the design of what will be its largest home-produced commercial jet at the Hong Kong air show, demonstrating the country's ambition to be a global aviation giant. An arm of the state-owned Aviation Industry Corp of China (AVIC) exhibited a miniature of its C919 in Hong Kong, with some observers hailing the occasion as proof that the fast-rising communist country has arrived in the industry. The single-aisle aircraft was designed by Commercial Aircraft Corporation of China, or COMAC, and is part of China's long-term plan to break the duopoly of Airbus and Boeing in the production of large commercial aircraft.

So there may be new competition out there, not always hamstrung by the way things have been done in the past, and sometimes coming from some unexpected places.

Look at Honda. Probably best known to us Brits as an automotive manufacturer, Honda too is dabbling in the air industry with the production of small jets. What advances could it make if it brought some of the disciplines of Japanese automotive production into aviation?

It has been said that historic market leaders like Dell, GE or Nike have succeeded by narrowing their business focus, not by broadening it. They have concentrated on one of three value disciplines – operational excellence, customer intimacy or product leadership – aligning their entire operating model to serve that discipline.

In the world today, operational excellence is really an imperative and you can't compete effectively without it – witness the demise of the American car industry and the rise of the Japanese (curiously an American is credited with being largely responsible for that!).

Businesses have traditionally relied on technology and product innovation for competitive advantage. However, as products become commodities, due to global competition and relentless technological advances, the battleground for differentiation and customer value creation shifts to customer intimacy and service.

I would argue that customer intimacy is the largest source of growth, sustainable competitive advantage and profit. Companies that practice customer intimacy bring an entirely fresh perspective to the relationship they have with their clients. They uncover unsuspected problems, detect unrealised potential, and create an entirely different dynamic with their customers. They may even merge parts of their operations with those of their customers.

In the integration of their operations, suppliers become more than merely useful: they become indispensable. We know this because we see it happening every day in our day-to-day business.

Finally, out of curiosity, I looked up 'customer intimacy' in Wikipedia (the free online dictionary). This is what I got: "Customer intimacy is based on the ability of the supplier to become accepted and known as the regular partner. Customer intimacy creates a virtuous circle: the better the supplier knows the customer company with its objectives and difficulties, the better able he is to provide an optimal solution. The more adapted the supplier's product or service is, the happier the customer will be, and the stronger the 'intimacy' between the two parties."

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