

**‘Customer focus has gone too far. Customers’ expectations are often unrealistic, and organisations are increasingly facing demands they cannot and should not meet’**

We had three speakers – Chris Clark, the global head of marketing and customer experience from a rather large bank, Anthony Hilton, the economics leader writer of London’s biggest paper who looks at things from a (very challenging) business perspective, and Alan Mitchell, a columnist, writer and think-tank leader who looks at things from a customer perspective.

Their brief profiles are at the end of this note. One crucial point though – Chris was speaking from his own personal point of view, as a marketer and concerned consumer. So although a lot of the conversation was about banks and banking, that was more an accident of assumption based on job title than the intended focus of the debate.

**The marketer’s view**

Never mind the age of enlightenment; as the increasing inclination to air one’s opinion (be it informed or otherwise) sees itself paired with an ever-waning sense of individual accountability, the times in which we live might more accurately be termed the age of entitlement.

Heaven forbid the customer lose their voice; but by indulging their opinions at the expense of all else, by pandering to their requests without question, we risk rearing a society of spoilt children, for whom it’s their way or the highway.

Indeed, like divorced parents vying for the affections of their children, our retail giants – from supermarkets to budget fashion brands – find themselves locked in a tailspin of a race to offer the customer goods at impossibly dwindling prices. But at what cost?

At its most extreme, it creates human collateral damage, victims without whose suffering such prices would be untenable. But it also disregards the very real responsibility businesses have to their shareholders and employees; submitting unthinkingly to customers’ demands without a thought to economic realities is at best unsustainable and in truth would be a reckless abuse of the trust invested in the business by its dependents.

Yet above all, to cede unquestionably to the will of the customer is ultimately to do them a disservice. As the fall-out from the mortgage free-for-all of recent times only too eloquently demonstrates, jettisoning the customer’s best interests in the selfish scramble to secure their short-term affections is a tale in which there are very few winners.

What’s needed is balance, a mutual reciprocity between business and customer, a two-way contract that recognises the need for reason and maturity and grants both parties the permission to behave

accordingly. Indeed, organisations must commit to listening to their consumers and striving conscientiously to meet their needs, but doing so cognisant of their myriad responsibilities, not least to the customers themselves.

After all, if you treat the customer like a child, it should come as no surprise when they start behaving like one.

### **The journalist's view**

Francis Dalton's stinging critique of democracy, so pithily encapsulated by his bemoaning of the 'stupidity and wrong-headedness of so many men and women', leaves few in doubt over the vitriol with which he would have attacked any modern day assertion that the customer is always right.

Yet experience suggests that he might have been a little rash to underestimate the cognitive power of the collective; indeed, that great barometer of societal trend, *Who Wants To Be A Millionaire*, reveals quite the contrary: the decision to ask the audience pays off in 91% of cases, compared with a lowly 66% for phoning a pre-designated friendly expert. Furthermore, according to renowned LSE economist Howard Davies, of the 39 causes of the recent financial crisis, not one might be attributable to the customer. Next to specialists' spectacularly narrow expertise, the wisdom of crowds, it would seem, is far more dependable.

For further validation of this view we need not look far: for the most important issues of the day – climate change, sustainability, matters preoccupying companies the length and breadth of the land – are not the output of a boardroom, but rather concerns borne of society itself, bubbling to the surface thanks to a head of pressure building from below. It would appear shared values, and not shareholder value, is the more relevant and valuable currency in today's world.

Whether it exists to publish newspapers or sell financial products, meeting the needs of the customer is the fundamental *raison d'être* of any business. It is the source of all profit, and any organisation that disagrees should not – and indeed will not for much longer – be in business. As a chef responds to a meal returned uneaten, companies must learn to react to dissatisfied customers with the requisite sense of mortification and a single-minded determination to right the preceding wrong.

The wisdom of the masses is by no means foolproof – many a misleading focus group might attest to that – but it is the most dependable option available to us; for, as Churchill put it, democracy is an appalling system, until you think of the alternatives.

### **The author's view**

Historically, our banks have been a best practice embodiment of the Nash equilibrium, a game theory concept asserting that, when every player adopts the same strategy, nobody has anything to gain by changing tactics. The net result is paralysis: when making the decisive break and redefining the rules spells certain loss, why would anyone possibly choose to rock the (gravy) boat?

The rules of this particular card game are sadly all too familiar to consumers: if banks wanted to be a part of the gang, exploiting both the ignorance and inertia of customers was imperative.

And so began the self-reinforcing cycle. Stuck in a no-man's-land with a rock on its west-hand side and a hard place to the east, customers were schooled in the art of helplessness; the gap between knowing your raw deal of a fate and having the power to change it appeared resolutely unbridgeable.

Yet the story was far from over: chapter two witnessed the advent of customer empowerment, at last rendered possible by money saving websites and the proliferation of channels through which to air and share opinion and experience. The consumer, so expertly versed in the banks' profit-maximising mantra following many a year at its receiving end, began to practise what their former gaolers had always preached, extracting the utmost value from each institution and thus reclaiming the prize of power.

In a deft blow of corporate karma, banks now saw staring back at them a penny-pincher of their own creation, the former victims now beating the perpetrators at their own game.

So what narrative twist might chapter three yield? What's needed is for banks to break with their long-held narcissistic traditions. For whilst ever they continue to operate in the first person singular, viewing the world solely through their own, distorted lens and measuring what they see in terms of the costs and benefits to them and them alone, their relationship with their customers will never be anything more than trust-free. Yet by refocusing this lens and rebalancing their metrics, banks might instead strive for a status quo in which both business and customer gain.

When everyone is a winner, cooperation, collaboration and ultimately trust are not only possible, but likely; yet until the Nash equilibrium is shed in favour of this fairer balance, the perpetual pitting of bank and consumer will without doubt endure.

### **The Foundation's view**

This was one of the best Forums we've held yet: a spirited and passionate debate, with diverse points of view – all credible, all strongly held, yet apparently incompatible.

But we find ourselves able to empathise with both sides.

Anthony's view – that customers en masse are right and the appropriate stakeholder to look to – is the one we find ourselves engaged with most strongly in our day-to-day work.

For a business to grow in a way that is any more exceptional than rising or falling with the tide of its sector requires it to do a better job for customers than the alternatives. This in turn often means breaking market conventions, and our experience is that it is difficult for teams inside any business to do either of these two things; truly understand what customers want rather than what their business produces, and be open-minded and bold enough to do something different in a way that makes a substantive change to their organisation.

Alan's view – describing a vision where business and customer collaborate to realise value for both – is one way of describing a successful outcome from this challenge. It is a long way from how most businesses work, and difficult to move towards from the current model.

But even if successful at this task, we face some bigger issues that are only now edging towards the mainstream. This is where Chris went in his piece, and why he suggested speaking about this subject to us in the first place.

Because, to be simplistic, the logical consequence of ever increasing customer value – for example, as expressed through price (which is of course only one part of a much more complex equation) – might be seen through the windows of Primark (as Chris described). The £1 for 10 pairs of socks can surely not be offered without someone, somewhere else in the supply chain, having paid the price in another way.

This is the nub of the issue, and one without easy solution. Even if we all master the art of creating customer value in the immediate, how do we make the long term consequences clear, especially without patronising the customer? Greater consciousness of these balances and trade-offs in customers would alter demand in a way businesses might be able to respond to. But how likely is that without something dramatic happening to precipitate a change in our values?

Perhaps the subject of another Forum!

## **The Speakers' Profiles**

**Chris Clark** is Group Head of Marketing and Customer Experience at HSBC with the challenge of helping HSBC become the most recommended bank across the world by consumers. Chris has held a number of senior marketing positions since joining HSBC in 2001, including Head of E-Marketing and Head of Group Marketing, where he was responsible for a wide range of marketing disciplines including Advertising and Marketing Planning. Before banking, Chris's career was in the advertising business, starting out at Saatchi and Saatchi and latterly becoming Executive Vice President and Head of Strategic Planning for the advertising firm Bates USA and Latin America. Chris's career started at Levis Strauss in brand management.

**Anthony Hilton** is the Financial Editor of The Standard. He has held various roles there including City Editor and Managing Director. He has also been City Editor at The Times and has worked for the Observer, the Daily Mail, the Sunday Express, and has served in New York where for three years he was Business Correspondent for the London Sunday Times. He has a perspective as a business owner too, being a joint founder and non-executive chairman of The Newsdesk Media Group, which now employs 70 people in Britain and America, and turns over £8 million a year.

**Alan Mitchell** describes his interest as wealth creation, defined as the things and activities that enrich human lives. He believes that disciplines like economics or the day-to-day practice of commerce, lose this real purpose, and he is keen to put it back where it belongs. As a result he has written two books: Right Side Up and The New Bottom Line (with Andreas Bauer and Gerhard Hausruckinger), and is currently finishing another one on Mapping (with Chris Macrae and William Gordon). He serves as Chairman of the Buyer Centric Commerce Forum, has worked as Editor of Marketing magazine, as marketing correspondent of The Times, and as Contributing Editor of Marketing Week.