



## CUSTOMER MANUFACTURING GROUP

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What, and How form  
a basis for viewing  
your entire  
marketing effort.*

*Borrowing from the  
concept of quantum  
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built a set of laws  
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*These laws explain  
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# BUILDING A CUSTOMER-ORIENTED BUSINESS:

## KNOWING WHO/WHAT/HOW

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**C**an the top three executives in your company (and one should be in marketing) answer the following question: "What are your target customers buying from you that they cannot get elsewhere?" Caveat: the answer cannot be anything patented or copyrighted; and it usually isn't technology-based anyway. Knowing "What" your "Who" (target customers) are buying and "How" they want to buy it is the key to deciphering the correct answer. Read on.

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### *A Brief History of the World . . . From A Marketer's Perspective*

For most of recorded history, our world was an agriculture-based society centered on farming, hunting, and other food-producing activities. 'Work' was doing things that ensured food would be available today and tomorrow, and trade fundamentally focused on exchanging one food stuff for another. Around the 1600's, this trade and barter dramatically expanded to include clothing, personal amenities like soap, household goods like pots and furniture, and more . . . still mostly focused around the concept of sustaining life.

The mid-1800's, with the industrial revolution, changed everything. For the first time, people began to spend their time making *things* to earn *money* to *buy* food and other life-sustaining items. The concept of 'going to work' evolved as something other than tending the farm (which was a life-long chore, not a 9-5 occupation).

As people's occupations changed, so did the very nature of business. Instead of being trade-oriented, business became mostly money-based. This freed business to assume the role of making things that people needed and wanted, using money (which was universally accepted, non-perishable, in standard denominations, etc.) as the medium of exchange. And that was the birth of marketing: businesses discovered that making what people wanted created profits. It wasn't a sea-change in business philosophy, but it was a start.

For the next 100 years, businesses produced goods and people bought them. And bought, and bought, and bought. The supply/demand imbalance (although not called that until much later) strongly favored demand: people demanded more goods than businesses could produce. (Of course, this is a macro view looking at total production compared to total demand; individual businesses and products had their own unique supply/demand balances.) This period, from the mid-1800's until around 1950, is referred to as the *Production Era*.

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During World War II, factories focused on the war effort; consumer goods were scarce, yet demand for them continued to grow. With the end of the war and the return to a peacetime economy, business flourished, especially in the consumer sector. Supported by major governmental infusions throughout the developed world, companies expanded, new products were created, and consumers started to expect more and different things. In the late 1950's, the supply/demand balance hit an equilibrium point: supply had grown even more rapidly than the exploding worldwide demand for goods. Total output of business matched . . . then exceeded . . . total demand. Businesses entered a new reality: demand had to be created. Enter the *Marketing Era*.

At that point in time, the state-of-the-art of business management was "find some-thing to build (usually what the factory was good at or what the owner liked), build lots of them (to get costs down), and sell them all." Thus, the role of marketing/sales (they were largely undifferentiated at that time) was to find buyers for whatever was built . . . whatever it took. Marketing was largely a combination of advertising and word-of-mouth (what we now refer to as 'viral marketing').

Over the next two decades during the 1960's and '70's, marketing as a profession took hold and became a respectable part of the business. Companies began to think longer term with concepts like 'marketing campaigns' (interesting choice of descriptive word given the severity of wars over the past 40 years) and to create a 'position' for their company. Market segmentation and target marketing became the rage. This fueled advertising, promotions, and other outbound marketing tactics, lead by huge consumer companies like Proctor & Gamble, Coca Cola, General Motors, and General Electric. With time, marketing campaigns and associated business strategies fused together into a Marketing Plan, complete with a marketing strategy. The focus of this Plan was still primarily to empty the warehouses, but there was a new sophistication about the task.

By the mid-seventies, leading companies began to extend the marketing planning process into the product development domain. If a company could *anticipate* what customers actually wanted, then build and deliver it, a competitive advantage could be created . . . and exploited. This subtle yet paradigm-shattering change moved the company focus from 'making what they could' to 'providing what customers wanted.' This changed the marketing . . . and corporate . . . landscape forever. General Motors conceived of Saturn (a completely different approach for a car company) in response to the dramatic increase of women as car buyers. Federal Express grew out of the evolving shipping needs of global business, and Southwest Airlines responded to a gap left by the major airlines

To build and sustain a true customer-oriented business, you need to know three things: *What* is your customer buying, *Who* is doing the buying, and *How* do they want to buy it.

for short haul-no frills air travel. Now, companies needed to understand what customers wanted, who did the buying, how they wanted to buy, and many other issues. By the early 1990's, business shifted into the current phase, the *Customer Era*.

Each of these eras represent a different level of marketing's perspective of the world:

<b><u>Level #1:</u></b>	<b>Internal Perspective</b>	<b><i>Production Era</i></b>
<b><u>Level #2:</u></b>	<b>External Perspective</b>	<b><i>Marketing Era</i></b>
<b><u>Level #3:</u></b>	<b>Differentiation Perspective</b>	<b><i>Customer Era</i></b>

*Customer-Oriented Marketing: Knowing Who, What, and How*  
 Market Research has devised innumerable ways to learn what customers want: focus groups, blind taste tests, primary and secondary research, walk-a-mile-in-their-shoes, surveys, test markets, and more. Each has its strengths and weaknesses; but in total, they lack a central way to communicate the results in a common language that marketing, management, operations, channel partners, and others can understand. To build and sustain a true customer-oriented business, you need to know three things: *What* is your customer buying, *Who* is doing the buying, and *How* do they want to buy it. Each of these concepts change subtly as you look at them through the three Levels of perspectives discussed above.

*What Do They Buy?*

*What* provides a set of perspectives on the value that you offer to your target *Who*. Customers do not buy individual things; they desire a set of attributes (product, services, image, price, costs, ease of doing business, etc.) that best satisfies their needs and wants. Bundled, these attributes are referred to as 'delivered value.' There are three levels of *What*:

- **What Level #1** refers to your company's perspective of your offerings: *What do I sell?* The answer provides a detailed description of your products/services. It helps all facets of the organization to clearly know what you produce, its attributes, and what is not included.
- **What Level #2** refers to your target customer's perspective of your offerings: *What are my customers buying?* Knowing this is absolutely critical to understanding the value that your customers expect: it determines your price strategy, promotional activities, sales strategy, brand-

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Knowing this uniqueness impacts everything about your company: product definitions, service levels, positioning, branding, resource allocation, segment expansion, hiring, and more.

ing, and other aspects of your positioning. Further, it defines where your product fits vis á vis competitive offerings.

Note that *What #1* and *What #2* are not the same . . . and understanding the difference can be the difference between success and failure.

- **What Level #3** enhances your *What #2* concept by including differentiation from alternative or competing solutions: *What are my customers buying from me that they cannot get elsewhere?* Staying in the customer's point of view, this is their perception of your unique value proposition; it is why they select your offering over a competing solution that may be priced less, have different features, or otherwise offer a different value package. Occasionally, this uniqueness is tied to an actual feature (perhaps something patented or trademarked); more commonly, however, it is a perceived value or intangible that they have come to expect from your brand, personnel, or company. Knowing this uniqueness impacts everything about your company: product definitions, service levels, positioning, branding, resource allocation, segment expansion, hiring, and more.

#### *Who Buys?*

*Who* includes various ways to describe your target market and customers, as well as some baseline information on your buyers. There are three levels of *Who*:

- **Who Level #1** refers to your target market or segment: *Who should my customers be?* The answer should define a specific target segment using appropriate demographic, psychographic, and behavioral data. The operative word here is 'should': it forces marketing to define the file of their target market in specific, detailed terms; this allows all facets of the company a clear vision of their selected market.
- **Who Level #2** refers to the buyer rather than the customer: *Who is the buyer within my target customer?* Whether dealing with the business or consumer sector, organizations and families do not buy things: individual people do. Answering this question requires knowing decision makers, decision influencers, etc., as well as developing a thorough understanding of their buying process.
- **Who Level #3** enhances your *Who #2* focus on buyers by identifying people (or positions) that can influence or make decisions related to your product's usage. Often, this includes people (or positions) external to the target customer (standards, organizations, references, regulations, etc.) that can have a profound impact on your customer's buying process and need to be influenced by your marketing efforts.

*How Do They Want To Buy?*

*How* includes the methods and processes that your customers go through to acquire your products. It is helpful to view *How* as a 'Value Delivery System' (VDS) that includes every touch point between you and your customer (pre-sale and post-sale): advertising, direct mail, sales activities, channel partners, the product itself with its associated services, after-sale support, quality/reliability, and more. There are three levels of *How*:

It is helpful to view *How* as a 'Value Delivery System' (VDS) that includes every touch point between you and your customer

- **How Level #1** refers to your existing marketing system: *How do I market to my Who?* The answer provides an in-depth analysis of your current Value Delivery System: your communications activities and messages, channel partners, terms of business, packaging, and more. It is a critical first step in designing a VDS that optimizes delivered value to your *Who*.
- **How Level #2** refers to your target customer's desired buying patterns: *How does my Who want to buy from me?* Behaviorally, customers (business or consumer) want to buy things the way they want to buy them. The buying process is an integral part of the total value the customer experiences; knowing how they want to buy is critical knowledge for designing a VDS that customers appreciate and value.
- **How Level #3** extends How #2 by viewing your delivery system as part of what the customer is actually buying: *How can my value delivery system enhance the value my Who receives?* This drives the recognition that customers buy a bundle of attributes (some obvious and some not-so-obvious), and that the seller must adapt to the buyer's buying process (rather than the other way around.) To the customer, the net received value they receive from any purchase is the net sum total (positives minus negatives) of their entire experience with the seller (including channel partners, resellers, etc.)

	<b>Level #1</b> Internal	<b>Level #2</b> External	<b>Level #3</b> Differentiation
<b>Who</b>	Targeted Customers	Buyers within your Targeted Customers	Decision Makers and Influencers for your Targeted Customers
<b>What</b>	What you Sell	What your Target Customers buy	Buyer's perception of your Uniqueness
<b>How</b>	How you reach your Target Customers	How your Target Customers want to buy	Buying process is part of your overall delivered value

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Together, *Who*, *What*, and *How* form a basis for viewing your entire marketing effort.

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*Quantum Marketing™*

Together, *Who*, *What*, and *How* form a basis for viewing your entire marketing effort. Just as *Who*, *What*, and *How* each has a different meaning, so do the three Levels.

Each Level, then, represents a different marketing philosophy: management style, financial controls, definitions of winning and success, investments, and more are inevitable. Obviously, higher Levels are more complex, more difficult to achieve and maintain, yet provide a better view of competition and the marketplace.

There are some interesting parallels that we can draw from quantum physics. Scientists have learned how atoms behave, the rules that they follow, and how they shift from one "level" to another. The basis is that each level (or 'quanta') has a unique set of attributes that determine atomic behavior and accurately predict what will happen under specific circumstances. In the atomic world, while each atom resides in one quanta or another; groups of atoms (molecules) often occupy different levels.

Borrowing from the concept of quantum physics, we have built a set of laws of Quantum Marketing:

*QM Law of Natural Behavior* Left to themselves, marketing efforts naturally migrate to the lowest level possible

*QM Law of Improvement* It takes significant energy to move up to the higher levels

*QM Law of Sustenance* It takes additional energy to sustain performance at higher levels

*QM Law of Performance* The higher the level, the greater the potential performance of the marketing functions

*QM Law of Common Behavior* Individual people or functions occupy discrete levels, while organizations may have multiple levels

These laws explain how marketing can define, capture, and maintain a superior position in their target customer's minds . . . and that superior position leads to the opportunity for greater revenues and profits.

*Determining an organization's QM Rating:* To develop a meaningful QM Rating for an organization, we must deal with three critical issues:

- **Inclusive** *Who*, *What*, and *How* must all be included in a ratio that appropriately represents the business' environment; likewise, all relevant functions within the organization must be properly included
- **Qualitative** The QM Rating must be based on a solid qualitative and quantitative basis such that subjectivity is removed from the rating determination



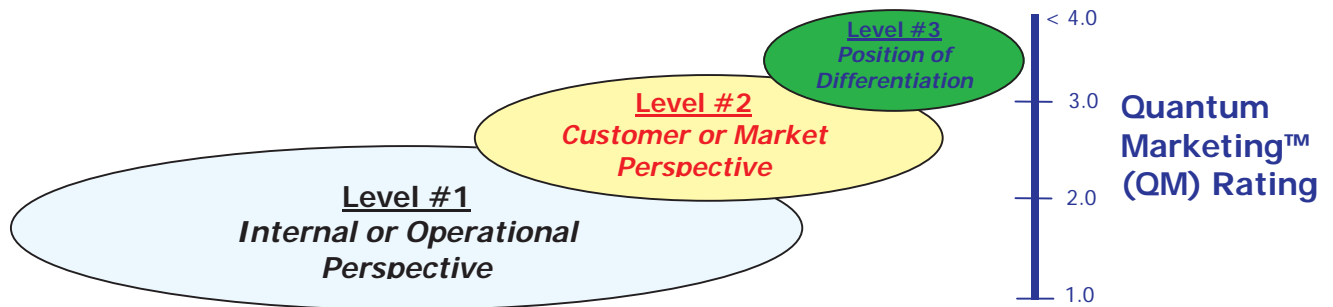
Knowing where to focus first, Who, What, or How, is critically important

- **Transportable** QM Ratings must be comparable across market and business segments so that a given rating has the same meaning for different organizations

Through experience and modeling, we have developed algorithms and weighting factors that, following the above guidelines, produce QM Ratings for nearly any organization. Thus, we can now accurately assign a metric to an organization's marketing performance.

Intuitively, we can guess at the QM Rating of some well-known companies. Southwest Airlines, with its passion for providing unique value, is probably in the high 2's to low 3's. At the other extreme, the infamous quote from Henry Ford, "You can have any color Ford as long as it's black," epitomizes a 1.0 rating.

The figure below illustrates how QM Ratings form a continuum. Internally-focused Level #1 organizations range from 1.0 (the minimum) to <2.0; externally-oriented Level #2 organizations are from 2.0 to <3.0; and differentiation-based organizations can range from 3.0 to <4.0 (the maximum).



Think of how useful it would be to know your own organization's QM rating in terms of knowing what to do to improve your company's performance and profitability.

*Final Thoughts*

Moving up the Quantum Marketing scale generally provides your company the opportunity to be more profitable if you leverage your position. Knowing where to focus first, Who, What, or How, is critically important to effectively improving your QM Rating. Whatever your decision about where you choose to operate on the Quantum Marketing scale, do it on purpose and with a purpose.

Together, *Who*, *What*, and *How* form a basis for viewing your entire marketing/sales effort:

***How does your Who want to get What they buy from you that they perceive they cannot get elsewhere?***

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*More Information About Customer Manufacturing Group*

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we'd be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

If you'd like to learn more about Customer Manufacturing Group, or for a complimentary subscription to *Customer Manufacturing Updates*, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at [www.customermanufacturing.com](http://www.customermanufacturing.com), or e-mail us at [info@customermanufacturing.com](mailto:info@customermanufacturing.com).

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you'd like to schedule a meeting when we're in your area, just let us know.

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