

We respect your privacy



The Xpragmatic View #66
May 2005
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A sluggish economy, increased competition, price erosion and lower margins are forcing organisations to look for new and more creative ways to generate additional revenue. Unfortunately, most attempts remain largely focused on the traditional theme of accelerating the introduction of new products or variations of existing products. Today, companies must avoid focusing exclusively on the product itself. Instead, they must focus more on the potential use of their products.

A week ago, I found a couple of advertising messages on my fax machine. I assume you all are familiar with this type of marketing. Too many companies still view it as an easy and inexpensive way to reach large numbers of "prospects". Most often, they are sent by small, obscure organisations that I am not familiar with and their messages are clear indications that they don't know me either.

However this time, one of the faxes was sent by Dell. Already for years, I am a Dell customer.

The message did contain the obligatory wording stating that Dell did highly value my privacy. Hence, a simple reply was enough to stop any further mailings.

It did not really convince me. Years ago, after my first purchase at Dell, similar faxes had been sent. At that moment, I had indeed replied requesting them to stop this type of marketing. And it worked! Since then, I didn't receive a single fax from Dell. Until now.

Of course, it is always possible that they recently switched to another CRM application. Everyone knows that migrating a database from one application to another never works perfectly. Or perhaps the expiration date of my privacy has expired.

Buy more stuff

There can be many reasons. However, I do fear that this is just another example of the poorly creative or even thoughtless attempts of many organisations trying to reach their ever-increasing revenue objectives.

I work as an independent management consultant. My IT-needs are limited. Since I bought my first Dell PC, my "investment policy" has not changed much, which means more or less a single PC or laptop every year. Even that is overkill. Yet, it complies with the Bill Gates' variant of Moore's law, stating that you need every year twice the processing power to run the latest Windows version.

Nevertheless, since my first purchase, I do receive every week a couple of advertising messages from Dell, both via postal mail and via e-mail. The main theme of these messages is always the same: "buy more stuff". Of course, the specific models offered do change somewhat, the numbers of GHz and Gbytes steadily increase, but for the rest there is little variation: free transportation, doubling the memory at no extra cost and sometimes an extra printer...

To me, it is not exactly clear what Dell is hoping for. It only strengthens my conviction that you never have to hurry to buy your next piece of PC equipment, whatever the extras that are offered.

Unfortunately, this is not a Dell-specific problem. It is symptomatic of the behaviour of many organisations that largely underestimate the importance and the potential of developing a "real" relationship with their customers.

As mentioned earlier, any organisation today is desperately looking for ways to generate more revenue. Unfortunately, most of them try to achieve this in a very traditional way: by introducing new products, new features or a new packaging, by offering steep discounts or other extras and by using more and more aggressive marketing. It will not be enough.

These organisations fail to acknowledge the reality that in a world where product lifecycles are continuously shrinking and commoditisation is the general trend, this type of approach is an uphill battle.

The other side of the equation

Therefore, organisations must review their present marketing approaches that are focused solely on the "supply-side" of the equation. These approaches are too much based upon the false assumption that any product can be sold at any moment to anyone, provided the right incentives are in place.

Instead, they must (re-)orientate their thinking towards the other side of the enterprise-customer relationship: the "demand-side". Why on earth do I buy PC's and what are the things that are important to me? At what moment? Why do I buy from Dell? How does this help me to run my own little business? What makes that I do not buy more?

I assume that Dell isn't able to answer any of these questions, but they can always ask me. Agreed, even knowing the answers to these questions is unlikely to help them convincing me to buy more stuff. However, this type of thinking exercise (in a broader context) might help them discovering new opportunities, new target markets, new approaches... At least, it will show them that they can dramatically reduce the frequency of their marketing mailings without negative impact. At least, that little piece of cost reduction is done.

Of course, thinking and learning about this other dimension of the enterprise-customer relationship is not a trivial task. Despite all the CRM theories and implementations, we still find it easier and more interesting to think about our own little corporate world. It is normal human behaviour.

Unfortunately, in a business world of shrinking margins and product commoditisation, the best growth opportunities are not created by further on pushing more new products or product variants to the same target markets. Instead, companies must focus on new targets and new usage forms of their products to open up new markets where the existing product set can be sold.

But we are getting better

As said, it will not be easy. Whatever the available theories and technologies, correctly identifying and assessing new target markets is difficult. It just isn't easy to "feel" the needs of the "other" side.

Still, we are making some progress. A couple of weeks ago, I received an e-mail of (again) our friends at Amazon. In this message they offered me an exceptional discount on one specific, recently released, management book, in this case "Blue Ocean Strategy" of Chan Kim and Renée Mauborgne. According to Amazon, this was indeed a great offer since I would certainly be interested in this new publication.

Well, I must admit that I was really impressed. For once, this proposal was perfectly "right on target". This was certainly a book I wanted to buy.

Even more, this proposal was so much "right on target" that I had already bought the book at Amazon a week earlier. A superb example of "marketing to the individual". Unfortunately, the synchronisation between marketing and order processing was not yet perfect.

Keep on trying...



Blue Ocean Strategy
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