

Inside the Customer Universe

**How to Build Unique Customer
Insight for Profitable Growth and
Market Leadership**

Henrik Andersen & Thomas Ritter



John Wiley & Sons, Ltd

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Preface

Learning is often described as a voyage of discovery. Our voyage into the customer universe began in the fall of 2004. While talking about challenges in business life, we realized that we both were trying to solve similar problems: These problems were with customer segmentation. And as travel is often nicer with company, we embarked on a joint voyage.

Our original idea was to find a valid segmentation framework useful for firms – that was as precise as we were able to put it at the time. We had been down the road of statistically significant segmentation models realizing that no matter how many Greek letters we employed, implementing segmentation gave no significant impact on profit. Something was wrong – not with the models but with the customers who apparently behaved like moving targets showing little if any sign of consistency. In contrast, by looking at ourselves, our family members, and friends and colleagues, their behaviors seemed reasonably consistent to us and they did not seem to

change. And thanks for that: If they constantly changed their behaviors in unpredictable ways how could we trust these people being close to us? Generally, people are not changing behaviors radically as implied by some segmentation models. If so there would be no social order, no collaboration, no friendships, no trust and no loyalty.

Many hours have since been spent in our offices, in meeting rooms, at conferences (scenes) discussing concepts, running workshops, implementing sales tools (roles) – oh yes, ever since we worked out that types, roles and scenes are the dimensions, we couldn't stop using them.

There was no tour plan for the voyage, nor did we make tour shirts of our voyage. In hindsight, the first leg was on customer types. Henrik had done some projects on identifying “real customers” and this soon became our dimension customer types. And then roles and scenes. It has taken us a few discussions to sort these dimensions out – we had the cases but we were missing the words. We finally had a segmentation framework that worked. Actually, after knowing the result, we cannot imagine that it seemed difficult at the start. That reminded us of the Egg of Columbus:

The story about Columbus goes that after he had discovered America he attended a dinner which a Spanish gentleman gave in his honor. At the dinner a person began scoffing at the admiral's success in finding the new world, stating that what Columbus had been doing was the simplest thing in the world. Anybody can do it – just sail across the ocean and coast along the islands!

In reply, Columbus asked all the gentlemen in attendance to make an egg stand on end. After all the men tried and failed, they stated that it was impossible. Columbus then placed the egg's small end on the table, breaking the shell a bit, so that it could stand upright. Columbus then stated that it was "the simplest thing in the world. Anybody can do it, after he has been shown how!"

(adapted from Wikipedia)

For us, CUBEical segmentation is like the Egg of Columbus: It is easy once shown how. While preparing for landing from our voyage and writing the first book draft two years ago, we ended up with a problem. The conclusion chapter became longer and longer as all these things kept appearing which our segmentation model solved. So instead of disembarking and publishing a book on good segmentation, we refueled and continued our voyage. Despite having the customer universe map, we didn't have a map for this part either. We just went after the stars – but we found three maps which today are our version of developing a strategy.

From here, it was turbulent. We did implement solutions, saw how people in organizations started sharing knowledge without being pushed to do so. We were also allowed to fly through fast moving consumer goods universes and key account management universes to explore some challenging territory. Some jolly good trips.

Now we have landed. Maybe a bit overwhelmed by the trip's impressions. We hope that our travel guide transports the enthusiasm we have for the topic, the richness of ideas and data which is in that area, the appreciation of all those people we are indebted to. And we hope the business management framework CUBEical Thinking makes as much sense to you as it makes to us.

What did we learn on the voyage? Well, it is in this book. Enjoy it.

Henrik Andersen

Thomas Ritter

Copenhagen, January 2008

1

A quick guide to Customer Universe Based Execution

EVERY EXECUTIVE STRIVES HARD FOR BETTER EARNINGS before interest, tax, depreciation and amortization – EBITDA has become the language of executives. While focusing on building long-lasting profitable customer relationships based on true customer loyalty, most find themselves in a position where fulfilling this objective seems to be an uphill battle where one essential framework is missing – a model of the customer universe.

In this book we present our view on the customer universe and on how executives can base their execution on insights about the customer universe. Our main message is that profitable revenue growth can only be achieved by Customer Universe Based Execution, we call this CUBEical Thinking. CUBEical Thinking is a business management framework – a new way of thinking business. It is strongly rooted in understanding customers in their universe, so we apply a holistic view of customers with all the complexities of today's

markets. We do not make the universe flat to achieve simplicity; rather, we try to describe the customer universe as complexly as necessary but in consistent terms thereby making the description simple and intuitively recognizable. CUBEical Thinking enables strategy development and implementation and does not stop at customer insight – so it is not “only” a marketing tool. It provides a common view and language about customers to firms – so it enables firm-wide implementation and avoids island solutions.

CUBEical Thinking – a business management framework

By introducing our concept of CUBEical Thinking, we will demonstrate how any firm can make sense of customers, create true customer loyalty, realize profitable revenue growth and potentially obtain market leadership. CUBEical Thinking is a business management framework building on three elements (Figure 1.1):

1. **CUBEical segmentation**, which provides a stable segmentation framework predicting customer needs and thereby providing firms with the platform for becoming market leaders by understanding and setting customers' expectations. Based on the three dimensions of customer types, roles and scenes, the competitive arenas of a firm are defined. These arenas or submarkets, where the interactions with customers take place and where the firm meets its competitors, are easy to understand for everybody and thus easy to communicate across the organization. The unique features of CUBEical segmentations are:
-

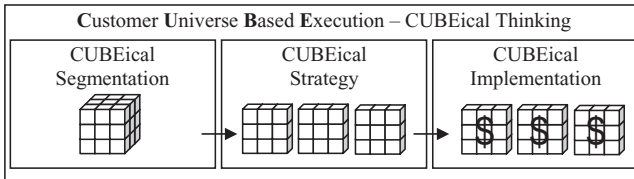


Figure 1.1 The CUBEical Thinking business management framework.

- The stability of the segmentation – overcoming unpredictable segment membership changes;
- The recognizable real life description of customers – overcoming the artificial average driven statistical segment descriptions;
- The handling of customer complexity through roles and scenes – overcoming the unrealistic one-segment-fits-all-occasions problem.

Herewith, CUBEical segmentation is breaking new ground in customer segmentation by overcoming the shortcomings of current segmentation practices that block the road for customers to become the pivotal focus for the executive agenda of driving profitable revenue growth.

2. **CUBEical strategy**, which builds on CUBEical segmentation and provides a firm with a roadmap of where and how to compete. Identifying competitive arenas, which are important to customers, possible to access for the firm, and profitable to serve, is the key foundation of a sound business strategy to achieve true customer loyalty. CUBEical strategy provides the framework for generating