

ALAN TREFLER



**BUILD
FOR
CHANGE**

**REVOLUTIONIZING
CUSTOMER ENGAGEMENT THROUGH
CONTINUOUS DIGITAL INNOVATION**

WILEY

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FOREWORD

So much has changed in the business world, particularly in the past 20 years. Two changes are particularly relevant to this book. First, thanks to the ubiquity of technology and the reach of the Internet, the power of customers has reached dramatic levels. You will see many examples of this phenomenon in the pages ahead. Second, companies can now fully digitize their processes to the point where the enterprise can and must undergo a full digital transformation. It is the only way the enterprise will accomplish the seamless operations so vital to success. But as this happens, the enterprise must focus on how, through both high tech and high touch, it engages customers and responds to their expectations.

This book lays out the path to accomplishing that result.

There will be several challenges along the way. Past approaches to systems development have left companies frozen in technology, unable to respond to both opportunities and the demands of customers. Companies cannot solve this problem by simply buying apps or software as a service. Technology and process must be more tightly integrated in the work of digitization. That integration will require that the divide between the information technology (IT) and business communities goes away. As this happens, the organization itself will undergo change.

That change will include how people think of their own work: how work is performed and customers are engaged; the pace of work and the rate at which operational change can be accomplished; the ability to see how radically the performance of an enterprise can improve

with the right approach to technology and process, as business and IT people come together to drive change.

Changes in thinking and behavior will not be restricted just to the workers. No great change is achieved unless an enterprise's leaders and managers change how they think and behave. What has been the key to past success may not be the key to success in the future. That is especially true with respect to the role of information technology and how it is managed.

Twenty years ago, Michael Hammer and I published *Reengineering the Corporation*. We described “the three Cs”—customers, competition, and change—as the forces driving companies into frighteningly unfamiliar territory. New entrants to markets were intensifying competition by changing the rules of business, while the pace of business change itself was accelerating. Meanwhile, customers were gaining the upper hand in their relationships with sellers, with access to more information and more choice, and were becoming increasingly sophisticated and demanding.

In some respects, what we wrote was seen as predictive. All this was happening while companies were stuck in their bureaucratic structures and fragmented work. Meanwhile, customers in particular were beginning to drive the need for change. We wrote that business customers and individual consumers “know what they want, what they want to pay for it, and how to get it on the terms they demand.” We warned that “customers such as these don't need to deal with companies that don't understand and appreciate this startling change in the customer-seller relationship.” Customers will just go elsewhere.

Today, customers are doing just that.

We argued for radical change in the nature of work, with a focus on the redesign of business processes. Today, the phenomena we described are plain to see, and drive the urgency of what you will read in this book.

The cry for leaders and managers to wake up to the changing business landscape and the importance and power of technology is not new. I have made the plea and have heard it for years. But what is

new is the approach to the digitization of the enterprise that this book lays out. Time is of the essence. While customers have been gaining power, the pace of business change is also accelerating. It is time to think radically about how technology plays and works in your enterprise.

—James Champy

Coauthor of *Reengineering the Corporation*;
Author of *X-Engineering the Corporation:
Reinventing Your Business in the Digital Age*

1

CUSTOMERPOCALYPSE



A lot of companies across the globe are going to die over the next few years, not because of macroeconomic stress but because there is an entire emerging generation of customers who hate doing business with them. These companies are going to die from some form of *customer stress*. Death may come as the result of self-inflicted wounds the company should have known to avoid, which means it is kind of like suicide. It may come from involuntary manslaughter by a new generation of customers. Or these new kinds of customers may just outright murder companies they decide should be put out of their misery. It is the *customerpocalypse*.

Who are these customers? They trace their ancestry first to the Millennials, also known as Generation Y. The latter term comes from an editorial in *Ad Age* in 1993, which attempted to describe the teenagers of that time and how they differed from Generation X, the name given to the generation born after the post-World War II baby boom popularized by the novelist Douglas Coupland.¹ When *Ad Age* coined the Gen Y term, it applied to kids 12 and younger at the time, and was meant to refer to those kids who would become teenagers over the subsequent 10 years.

The Millennials term is widely credited to William Strauss and Neil Howe from work first published in 1991.² You may also have heard of them referred to as Generation We, Generation Next, and the Net Generation. They account for about 75 million people in the United States alone. The generation's earliest days are just around the time digital technologies for the general public first appeared, beginning with Apple's first personal computer, the IBM PC, and Microsoft's early PC operating system. They grew up with digital technology, and came of age as it, too, came of age, beginning its slow, steady march to ubiquity. Over the course of their lives, digital technology has become a commodity, fundamentally changing what they expect and how they interact. Millennials are also the generation that grew up with play dates and adolescent team sports that awarded everyone a trophy for playing in the soccer game, whether they won or lost. This "ethic" figures into how they view the world and the relationships they have with your business as your (potential) customer.

Diane Theilfoldt and Devon Scheef aptly synthesized their characteristics in a 2004 article. Millennials are (among other things) “self-inventive/individualistic”; they “rewrite the rules”; they consider institutions irrelevant; the Internet is their world; they don’t just use but “assume” technology is there for everything; and they “multi-task fast.”³

From this Millennial/Gen Y group, another name emerged: Generation C. The name works in part because, as entertaining as Douglas Coupland’s declaration of Generation X was, he did us the disservice of choosing a letter far too far along in the alphabet to continue with his naming convention. More important is that unlike the Gen X and Gen Y names, Gen C includes a characterization within its very name.

“[T]he C stands for CONTENT, and anyone with even a tiny amount of creative talent can (and probably will) be a part of this not-so-exclusive trend.”⁴ These are the young people who are responsible for—and who revel in—all manner of content on the World Wide Web. They post and curate. They are the self-proclaimed editors of Wikipedia. They made YouTube the amazing repository of content that it is today.

Despite its relative youth, this group influences every aspect of our lives and wreaks havoc on many businesses.⁵ Gen C accounts for about 75 million people in the United States alone. Still growing in size by leaps and bounds, largely now from the emergence of new economies in much of the less-developed world and changing economies in places such as Russia, China, and India, Gen C is fast becoming the largest group of consumers in the entire world.

It’s important to note that the divisions between the generations discussed in this book are rather fluid. Gen C has really come into its own with the shift in the meaning of the C; it is that very shift that leads to the observation that today there is actually a Gen C-1 and a Gen C-2 coexisting in time. Members of Gen C-1, who came first and tend to be more passive, are generally older than the more active members of Gen C-2. They are the members of the Gen C segment who *publish*.

With the evolution of the mobile Web, Gen C evolved from *content* to *communicating*, *computerized*, *clicking* and, finally, *connected*. It is the advent of *connected mobility* that has given rise to Gen C-2. This component of the larger Gen C arose with the sudden democratization of communications and the unmediated access to personalized mass communication, exemplified by Twitter, but not exclusive to that technology tool. They are the ones who use on-the-spot messaging to create flash mobs and take down repressive governments as happened during the Arab Spring.

If Gen C-1 is the *publish* or *post* segment, then Gen C-2 is the *ping* part of the group. Gen C members have gone from asynchronous communication through e-mail and Facebook to always-on, always-linked interactions that are synchronous, happening in real time. Gen C-2 is even helping drive a move away from e-mail.⁶ More relevant to the discussion here is that Gen C is the generation that pushed connectivity to the point where there are 10.5 billion active memberships across at least 158 online social communities—and that is exclusive of Facebook and YouTube, which add another 1 billion each.⁷ Gen C is why every company has a Facebook page and a Twitter account, even if most corporate types using them have little idea, or in many cases absolutely no idea, what they are doing.

GREAT EXPECTATIONS

As a whole, Gen C has some major expectations that create big challenges for companies. For instance, they expect to be able to engage with your Website and perhaps even talk to someone in your call center at the same time. They expect your company to be as centered on them as they are centered on themselves. If they know something, they expect you to know it, too. They do not care whether you have separate divisions to handle products or services they buy from you. In fact, if you use that as an excuse for why you had to ask a stupid question (yes, in this world there *are* many stupid questions), they will come to hate you even more.

Gen C customers have no patience when you try to sell them some lame product they would never consider in a million years.

If they have a problem, they expect you to fix it in a way that makes sense.

Fail a Gen C customer, and she may or may not tell you how she feels. The best case for your company is that she just puts up with it and keeps on with what she is already doing with your business. That particular best case is not too likely to occur. What is more likely is that she will tell all of her connected “friends” about how you failed and how she is taking her business elsewhere. The Website Yelp has been a popular online destination for members of Gen C. Maybe you have seen a post like this on Yelp:

Tried out Super Falafel, the new place in my hood, and it hella crap. Will never go back. Surly counter help, everything lukewarm, don't take cards. Sorry to Falafel City, my old standby near work. Still great after all these years!

The post is seen by lots of other people, and online “friends” of the original poster might even get notifications when one of their friends posts. They then comment and add their own experiences—with business implications that should be obvious.

Someone among the friends and followers may even revert to his content roots and share the experience on a Website set up for no reason other than to mock your company and share the many stories of how it has failed Gen C. These kinds of Websites have proliferated thanks to Gen C. Some have called them “suck sites,” as in Company X sucks, and they reflect anger based on genuine experiences.

IT IS SO EASY TO LOSE CUSTOMERS

Some businesses, such as Apple and Google, have been very tuned in and successful with Gen C customers from their beginnings. But for every success story, there are countless tales of companies really messing up with Gen C customers. They fall into one of two general categories: those who screw up but recover and those who fail to listen to their customers and die. In the category of those who met their demise, consider Circuit City. Founded in 1949, the company was the first

to launch an electronics superstore. That was in the 1970s. By 2009, Circuit City had liquidated its final U.S. retail store after filing for bankruptcy and failing to find a buyer. When it went under, the company was the second-largest U.S. electronics store, after its main competitor Best Buy—which is still around today.

What killed Circuit City? Alan L. Wurtzel, son of the founder and the company's CEO from 1972 to 1986 and board vice chairman or chairman from 1986 to 2001, believes it was a failure to listen.

His successors “underestimated the change in consumer taste, the change in consumer buying patterns, and they clearly underestimated the rapid rise of Best Buy.” In his 2012 book about Circuit City,⁸ Wurtzel explained, “One of the lessons of the book is listen to the customer, not listen to Wall Street.”⁹

How about Nokia? The Finnish giant was the world's largest vendor of mobile phones from 1998 to 2012. But in September 2013, its handset business was sold to Microsoft for \$7.2 billion—a figure some analysts, such as well-known business journalist James Surowiecki, believe to be quite over the top, “since a year [later] that business might well turn out to have been worth nothing.”¹⁰ Surowiecki explains, “Nokia overestimated the strength of its brand,” and even “failed to recognize that brands today aren't as resilient as they once were.”

Notably, Nokia had created a device very much like the iPhone some seven years before Apple released its first version. Then, when the iPhone came out, Nokia mounted a public campaign to discredit the new product from a technological and engineering point-of-view, chastising Apple for making it impossible for customers to replace the battery and pointing out that the iPhone would be damaged if dropped from a height of five feet. Meanwhile, Apple was in the business of delighting its customers, for whom Nokia's complaints were secondary.

“The high-tech era,” writes Surowiecki, “has taught people to expect constant innovation; when companies fall behind, consumers are quick to punish them.”

Borders is another victim of its own screwups with Gen C customers. At one point the once-popular bookseller had more than

500 stores in the United States, but in February 2011 it filed for bankruptcy protection and began to liquidate. By September of that same year, Borders was gone. What happened? “The company made some poor decisions . . . and failed to adapt to new ways consumers shop and read books,” writes Rick Newman, chief business correspondent for *U.S. News & World Report*. At a time when Amazon figured out that customers would flock to e-books and developed the Kindle device and apps to support broader adoption, Borders ignored the new technology and “clung to an outdated strategy way too long and reacted slowly as more nimble competitors took its business away.”¹¹

The bookstore chain once had millions of loyal customers. But, as Newman continues, “loyalty is never enough.” It is a message that figures prominently as you read on.

In the category of not-quite-gone companies, there is BlackBerry. In late 2013, the company agreed to be acquired by a Canadian holding company and taken private, “a turning point for a once high-flying tech giant that played a key role in the mobile-device revolution only to be eclipsed by Apple and Google.” BlackBerry’s products were once ubiquitous among business users in particular. But, as *Time* magazine so aptly put it, the company “failed to anticipate that consumers—not business customers—would drive the smartphone revolution.”¹²

Then there are those who messed up but recovered. A recent classic involves Netflix, a company that had actually embraced the idea of connective collaboration with customers in the ways it did business and drove the giant Blockbuster video store chain into oblivion. But in 2011, Netflix made a crucial mistake. The company was hell-bent on driving its customer base to the world of online, streaming content and reconfigured its business model. But Netflix forgot that its connected customers had their own ideas about how they wanted to do business with the company and were inclined to see anything even remotely coercive as inherently evil. They weren’t about to have some company—even one they had previously loved—try to change their behavior.

Netflix rolled out a series of tone-deaf pricing policies and new limitations on its service offerings. In doing so, Netflix came close to putting itself in the very shoes it had fitted for Blockbuster.

Subscribers fled in droves. Fortunately, the company was able to learn from this serious misstep, reversed the policy, and has since gone from strength to strength to dominate the subscription video on demand (SVOD) market.

The Netflix debacle played out across social media platforms, blogs, and everywhere the new generation of connected customers post, chat, talk, kvetch, promote, and detract. The company fell victim to Gen C customers who have expectations unlike anything businesses have ever seen and had to reverse itself. By the way, if you think Websites for complaining about companies are insignificant, take a look at netflix.pissedconsumer.com or amplicate.com/hate/facebook.

To companies like Netflix, add the electric company, cellphone providers, the cable company, and any number of businesses with which Gen C interacts and that are responsible for people wanting to rip wires out of their walls, flush their phones down the toilet, or throw their televisions out the window. The last thing Gen C customers want any part of is knowing that you are making business decisions to influence their behavior. They will object, they will drop you, and they will tell their friends. That's the end of it, and you will probably never recapture any of those customers.

This truly is a matter of survival. Right now, to a lot of companies, figuring out how to deal with Gen C looks like a matter of evolving existing value propositions to recapture prosperity. Believe me, that will not last long. There is a big difference between prosperity and survival, and when the time comes that it's only about survival, it will simply be too late for a lot of companies. In the customerpocalypse, recovery from missteps may become impossible.

AN OMINOUS FUTURE

If what you have read so far is causing some angst, you are not alone. A lot of companies feel this sense of doom, even if they can't put their fingers on precisely why and even if they do not realize how ominous it really is. For most of them, the angst is not so much about an impending death or decomposition but about having lost a sense of control.

“Don’t look now,” write George Colony and Peter Burris of Forrester Research, “but your company is losing control. That message may not have reached your technology management leaders and teams yet, but your marketing brethren already live the challenge. Customers are now in the driver’s seat.”¹³ Forrester is one of the world’s leading technology and market research companies.

They go on to describe what they see as the three factors that “have conspired to put your customers on top: (1) ubiquitous information about products, services, and prices; (2) technologies that make them visible and powerful critics; and (3) the ability to purchase from anyone at any time.” Indeed, it is all that . . . and more, as you will read here.

Colony and Burris also quote Rick Wagoner, the former CEO of General Motors, speaking at a Forrester Forum: “We used to ‘own’ the customer. Now we hope and pray that they want to ‘own’ us.”

What a dramatic reversal of control. The real threat is that if you have lost control and fail to get it back quickly, your business *will* die—even if it dies through decomposition.

What does it look like for a business to decompose? It is what happens when you cannot bring new offerings to market in a way that keeps your customers engaged. It is the outcome of your customer satisfaction scores trending in a downward spiral. It is your fate when you can only find people who have heard how difficult it is to do business with you. Or maybe your expense ratios are out of control, and when you try to fix them, your customers rebel—because you have taken steps that mess with them directly. Maybe you try to improve efficiency on the backs of your customers by seeking to influence their behavior in ways they just do not and will not accept. You impose limitations they object to. Perhaps you load on more fees, which they object to—remember the fiasco of banks charging customers to talk to a teller?! What a way to drive efficiency by punishing your customers instead of encouraging them to do the things that will be more efficient but that they will also enjoy!

Cellphone providers right and left have been cutting out unlimited data plans. This was an important element of the relationship customers have with their cellphone companies, and in making this

change providers are putting a gun to the head of their customers. Do cellphone companies really think that people who once had unlimited plans aren't going to react negatively to having their data access metered? Or become open to switching to operators who are prepared to use this as a competitive advantage and play on the extra frustration that comes from having customers see some freedom they desire become limited. By the time you read this, they will have already learned just how wrong a calculation they made.

U.S. cellphone providers failed to anticipate this problem when they first began to roll out their plans for smartphones. They did not predict how the use of data would evolve on those smartphones. The European companies hedged, rarely offering a totally unlimited data usage plan. So, the U.S. firms will be blamed for taking something away from customers, and the Europeans will not. Some say the mistake was about expense ratios, but more likely it was sloppiness in product introduction—an ungrounded anticipation of the market and the subsequent cost or retrenching. But whatever the reason, it is not a situation you ever want to put yourself in.

Have you ever met anyone who actually likes paying taxes? Yet, companies continually impose taxes on their customers. Exorbitant overdraft fees at banks. Roaming charges on your cellphone. You travel to Canada, make some calls, and the next thing you know you have an extra \$300 on your bill because you did not have the right plan.

ARE YOU PROVOKING YOUR CUSTOMERS?

Whenever businesses reflexively set things up to herd customers into certain group behaviors, they create disdain and dissatisfaction. Customers in general do not react well to these kinds of things. Gen C customers broadcast their disdain into their social worlds. They have a natural inclination against being thought of in a purely transactional way. They don't like it when you treat them like prisoners to *your* conception of how to do business with them.

Of course, if you are losing control of your customers because you are not doing a very good job of meeting their expectations, there are plenty of models you can turn to for clues on what it takes to make

customers very loyal. Take the Apple Stores. Go by the Apple Store in Boston and you will see how easy it is for Apple to make customers happy. People are lined up outside the store before it opens, hoping to see someone at the Genius Bar, where Apple provides free-of-charge service advice and training on all of its products. Someone will come out and talk to each person waiting, suggesting that she or he make an appointment rather than wait. The appointment is booked on an iPad for, say, 20 or 30 minutes after the store opens. The employee suggests you wait somewhere more comfortable, like the nearby Starbucks. When you return at the appointed time, you're seen at the Genius Bar. On the spot. Or, if things are really busy, the employee who came outside promises to call at a certain time to let you know of available appointments. And he calls you at that precise time.

How difficult can any of that be? Not too hard, it would seem . . . but it does take a very conscious change of mind-set. Apple, rather than putting the burden on its customer, engages its customers *pro-actively* while always looking at how it engages from the customer's perspective.

Still, it is not as simple as emulating Apple. Just as you are taking steps to ensure your survival from the Gen C onslaught, the whole thing is about to spin away again. It turns out there is a newer and even more ferocious threat at your doorstep, because if Gen C represents a daunting challenge to retain customers who, once lost, you may never get back, what follows in the evolutionary development of customers ought to terrify you.

WELCOME TO THE NIGHTMARE

Gen C customers may just hate you. The up-and-coming generation of customers may choose the path of trying to kill you.

These new customers are blowing up the very notion of Customer Relationship Management. They are not interested in a relationship. They most certainly do not accept being managed. And if that doesn't sound ominous enough, they don't even waste a minute hating doing business with you, like Gen C customers would. They can't hate being your customer, because they reject the very notion of being a customer

of anyone—period. A customer, they believe, is someone businesses try to control. These up-and-comers expect to be the ones in control.

No, I am not describing Generation Z, one of the names given to people born from the early 2000s to the present day to distinguish them from Millennials or Generation Y. You may have heard some of the other names that have been given to this group, because the name that will emerge as the leader seems still to be up for grabs.¹⁴ Other names have included the Homeland Generation, Generation@, Net Generation, and iGeneration. A noted marketing firm has proposed the Pluralist Generation, or Plurals. In my view, all these names are wrong. These people, when they talk of Generation Z (by whatever name) are really talking about Gen C-2. And in doing so, they are *missing a lot!*

Just as Gen C includes a characterization within its very name, so, too, does this next generation. Meet Generation D. The members of Gen D are the true envoys of the customerpocalypse. The behaviors of Gen C-2 are the early, emerging behaviors to which many of Gen D's characteristics can be traced. As you learn more about them, and realize how unprepared you are for their ascendancy, you may rightly think of that D as “doom” or “death” or “destruction.” To understand how they work, think of the D as standing for three things, depending on the moment: *discover, devour, demonize.*



Fail a Gen D customer and you will be lucky to get something like the Facebook post from earlier in this chapter about the restaurant. More likely, the post will be something like this sent out on Twitter:

never doing business again with _____ bank totally f **ked my account went to _____ bank and switched accounts great experience recommended—you should do the same!

The tweet is then retweeted and seen by thousands. Before you can do anything about it, you have been demonized.

Microsoft got a Gen D taste of what Netflix suffered in the earlier example. In June 2013, the company released the latest version of its popular game console Xbox, known as Xbox One. Customers who purchased it would be required to have an Internet connection to play offline games. On top of that, Microsoft imposed some restrictions on how used games could be shared. The result: “disappointed Xbox fans immediately expressed outrage across social media following the news.”¹⁵ It took only a few days for the president of Microsoft’s Interactive Entertainment Business, Don Mattrick, to announce a reversal. It included a very important point, particularly about the used games.

Addressing Xbox One customers, Mattrick wrote, “The ability to lend, share, and resell these games at your discretion is of incredible importance to you.”¹⁶ Gen D had made a big point, and scored a big victory, about *ownership* and how this young generation views the issue. Would the Xbox One be enjoying its tremendous market success had Microsoft stood by its original plan rather than listen to its customers?

Colony and Burris put things well, describing how today’s situation “puts the heat on twenty-first-century institutions, causing disruption and discontinuities. Traditional sources of sustainable returns melt in the glare of increasing customer power. That brand new story you spent \$18 million telling? It just got undercut by a single influential blogger compiling a list of 12 counter-examples that has been retweeted 1.2 million times and picked up by the newswires.”¹⁷

As Benjamin Franklin famously noted, “It takes many good deeds to build a reputation and only one bad one to lose it.”

“DON’T SELL TO ME!”

Gen D does not want to be sold to. Being sold to is like being controlled. No, the seamless experience they desire with your business, to which they would probably never admit, is based on wanting to discover you and your product or service. So, on top of all that connectivity, you have to figure out how to facilitate their discovery, proactively but invisibly, to create the illusion that they are discovering all on their own. They are looking for something that makes even connectivity and connective collaboration seem old-fashioned, and they want that invisible magic. They want *radical authenticity*, and when they discover something they like, they devour it.

If you are older than Gen D (and even Gen C), you have most likely always had relatively low expectations for your relationship with the bank, the phone company, or any other business with which you deal. When you learn your bank contributed to the financial meltdown by selling your mortgage as part of a bundle of securities in an effort to make a quick profit, you may despise it and you might even take some political action like voting or even protesting. But while you probably don’t see it as a personal betrayal by another human being, a Gen D customer may.

Gen D redefines loyalty. The totems or artifacts of loyalty have changed drastically in the run-up to Gen D’s emergence. At banks, those artifacts once were passbooks for savings accounts, which have gone the way of the dinosaurs. At grocery stores, a half a century ago, they were S&H Green Stamps, collected over time with purchases and redeemed—as a gift for your loyalty—for things you would never just go out and buy. Green Stamps were a physical manifestation that led customers to the belief that they did not just make purchases at the grocery store but that they would be rewarded with something in return. The customer and the store were building value together. Today, that artifact has disappeared, replaced by the automatic discount on specific items at the store when you hand over your savings card, which also gives the store the capability to track your every purchase for future and even instant marketing in the form of on-the-spot coupons.

These are examples of transactional loyalty systems. Gen C might accept the word “loyalty” in that context. Gen D members want nothing to do with the idea of loyalty, as such. While most companies

are grappling with connectivity and the challenge of Gen C customers, these new Gen D customers want nothing short of trust, transparency, and total openness. If they want loyalty, and expressed it as such, they would say it is *your* loyalty to *them*. The authenticity they demand is visceral, and if they sense that you are trying to make them *think* you are giving them autonomy but are really trying to sneak some M (for management) into the equation, they will have a problem, and you will have a bigger problem.

Another characteristic of this generation is that their reactions vacillate between extremes. Their discovery and experience of you may cause them rapture, which means they want to devour you (in a good way), but it can just as easily cause them to demonize you. We saw the beginnings of this demonization more generally in Gen C, but the Gen C reaction is more on the passive-aggressive side. They post about you, drop you, and the relationship is over. The worst “D” you might get from this is to be summarily *dismissed*.

Gen D, though, takes things to a different level, at both extremes. They experience amazing levels of affection with products and companies, even if they don't see them as products and companies. They're in love. They love Apple, for instance, in a kind of embodiment of the “I'm a Mac and you're a PC” advertisements of a few years back. You are either great and loved raptly or really untrustworthy, uncool, and, hence, demonized.

This active demonization is a unique characteristic of Gen D and one of the signs of the customerpocalypse. They don't create “suck sites” like those mentioned earlier, because those are meant to push people in a certain direction. Gen D is a generation of people who *pull*. While members of Gen C shoot their experiences out into the world and wait for you to come to them for details, Gen D puts it in your face and drags you down.

We asked a group of Gen D members ages 14 to 22 whether they have either promoted or complained about a product themselves.

One young woman said, “I must do that about 700 million times a day. You talk about things you like. I just went to a sale at Gap last weekend. ‘Look, I got this cute skirt. They have a lot of cute stuff there right now’—or something. My friends will tell me that they went to this restaurant, and they had a really good drink special.”

The power and importance of these kinds of connections is backed up by the research. The Nielsen Global Trust in Advertising Survey, conducted in late 2011, involved 28,000 Internet respondents in 56 countries and found that 92 percent of consumers “around the world say they trust earned media . . . above all other forms of advertising—an increase of 18 percent since 2007 . . .” Earned media is “word-of-mouth and recommendations from friends and family.”¹⁸

“It’s like your friends are the ones advertising the thing for you,” added a young man. “If a friend posted on Facebook that he uses a product, I’d be more likely to believe it and want to use it versus seeing a commercial—because it’s someone’s word versus a company that’s paying money for [the ad].”

As Michael Maoz, a Gartner analyst and noted thought leader on customer service, states, “Trust remains a cornerstone of an engaged customer. Although customers may remain customers even when they do not trust an organization, it is less costly and customer actions are more predictable when customers trust the enterprise. Other emotional factors that the customer service organization should attempt to achieve are a sense of enjoyment, commitment to solve customer issues, a sense of empathy and understanding, and leaving customers with a feeling of contentment that their problems were dealt with swiftly and with the least effort.”¹⁹

Again, *authenticity*. “That’s definitely more effective,” chimed in some of the young women.²⁰

One thing Gen D does do that is really quite different is to celebrate the fail, actively. They are the generation most associated with the meme of the “epic fail” on social media sites. They see it as a gotcha moment to share with their friends (and friends is broadly defined to include everyone they’ve ever known, or who is known by someone they know, or who they have no relationship with other than what appears to the rest of us to be the narrowest sliver of obscure commonality). These are young people who don’t mind experiencing failure because they get to post or tweet about it. Gen C creates a United Sucks page on Facebook²¹ and stops at that. An example of an early Gen D-like behavior is recording “United Breaks Guitars,” posting it on YouTube, watching as it goes viral (with nearly 13 million hits as of this writing²²), and then even publishing a book

about the experience.²³ Gen D launches an all-out war without any regard for the consequences to the opponent but with a distinct—if not explicitly stated—personal interest based on the heightened sense of entitlement that characterizes this group.



This up-and-coming generation makes the digital connectedness of its predecessors seem mild by comparison. For example, the group of Gen D members I mentioned earlier happened to meet just a few days after the death of Nelson Mandela. They were asked how they had learned about his passing. Most said Tumblr or Instagram.

As one teenage girl said, “Eighty percent of the time, if I tell you something, I read it on Instagram.”²⁴

Another young woman explained the process by which online information gets disseminated among her peers. “If something happens, I’ll kinda see a vague post maybe first, and I’ll be like ‘that’s weird,’ and then I’ll see something else related to it, and I’ll be like ‘what’s going on?’ Then I’ll keep scrolling and I’ll see something else, like the actual news article, or somebody specifically saying what’s going on. But like, everybody’s just talking about it.”

And just to drive home the connectedness issue with Gen D, consider the answers Gen D members gave our facilitator when he asked if anyone had ever lost or broken a mobile phone.

“It was painful,” said one young woman.

A teenage boy explained, “You feel alone in the world, and you’re useless and can’t do anything. I’m so lonely without my phone, and like, what am I gonna do?”

“I freak out,” added another of the Gen D members.

“I bring my charger with me,” said one of the young men.

“I left it at my house for a day,” a young woman chimed in, “and I’m like—I can’t even listen to music now. How am I gonna live?”

To Gen D, being connected has become fundamental to their very *existence*, and hence being unconnected is an existential crisis.

“I think the most annoying thing about not having a phone is [this],” said one of the teenage girls. “That’s the only time I ever go on social networks and stuff. So, it’s really aggravating when I have lots of friends [asking] ‘I tweeted you the other day, and why haven’t you been answering me? Where have you been? Oh, have you seen anything on Instagram?’ No. Nope. I don’t have my phone right now. I lost my phone.”

Friends’ expectations around social media are “pretty high,” report the Gen D members we spoke to. There is a lesson in that for anyone who wants to connect with these customers.

ANTHROPOMORPHISM

Those classic “I’m a Mac and you’re a PC” commercials speak to a particular way in which the rapture and devouring manifests itself with Gen D customers. When they truly love a brand, they no longer see a brand. Their identity with the brand goes way beyond brand *loyalty*; they become the brand, and the brand becomes them.

Lush, a cosmetics company based in England, is a good example of this sort of rapture and devour behavior. The company began in 1994 with one store and today has more than 800 in more than 50 countries. Lush sells a variety of handmade products it produces on its own, from soaps to shampoos to shower gels, lotions, and more. Everything is made naturally. Lush products are completely vegetarian, nearly completely vegan, and some 60 percent free of preservatives. Not only has the company made a big deal about not using any animal fats in its products, but Lush has also become a force in the anti-animal-testing community. All Lush products are tested exclusively on human volunteers, and the company refuses to buy anything from any company even remotely involved with animal testing. Pushing corporate responsibility to a limit beyond even some of the most forward-thinking companies, Lush offers a free face mask to anyone who returns five or more used Lush containers to the store and has a public goal to have 100 percent of all the company’s packaging “easily recyclable, compostable, or biodegradable.”

The company also gives a lot of money to a wide variety of causes that are not strictly environmental (at least in the traditional sense). You can be sure Gen D members are well aware of this, which is part of why they love Lush. To them, Lush is not a company. It’s not even a brand *per se*. It is a part of their lives.

Using the word “awesome” to describe Lush, one of the young Gen D women we spoke to said, “It’s a lifestyle, actually.”²⁵

Even with all its ethical roots, there seems to be nothing particularly preachy about how Lush works.

If you have ever gone into a Lush store, you have seen some of what makes the brand rapturous to young women in Gen D. The sales clerks are Gen D. They are not pushy. They are energetic, and

it's difficult to imagine they are actually working. It looks as if they are just hanging out, having fun and showing friends a bunch of stuff they love. Then there is the manner in which things are displayed. One marketing expert has compared it to the way fruit sellers display their wares. Everything's out and unwrapped. You can pick it up and choose the size and shape of a particular piece of soap, which adds to the sense of discovery. Lush has even called itself a "cosmetics grocer."

"I think what helps is that the stores are fabulously fragrant and smell so beautiful when you walk right in," said one teenage girl.

"All the packaging is wonderful," added another. "The products themselves are so good . . . I bought a bath bomb maybe like two weeks ago, and I used it, and I was just like—I'm a princess now. This is wonderful, and I want to tell everybody about this experience so they can have it too."

Lush is truly close to its customers. As Mark Wolverton, president of Lush North America, explains, "We don't want a store where customers come in and browse and then take their products to the salesperson behind the till. Our staff ask questions about skin and hair type and make a big fuss over each customer, so it's fun and they have a great experience."²⁶ For Gen D girls, it's like having a sleepover.

Also, Lush gets how important it is to have authentic connections with customers. One of the young women among the Gen D members we spoke to described why she follows Lush's Twitter feed. "I tweeted at them about something, that I really liked their product . . . I'd been using it a lot. It was something I was really happy with, and I wanted my friends and people that I have on Twitter to know I'm using this thing and I like it, and where to get it. And [Lush] tweeted me back, which was exciting because nobody ever does that."²⁷

Loyalty deepens when you acknowledge the social vote given to you by Gen D.

If Lush is rapture, something Gen D wants to devour, what then is an example of the demon? Well, just imagine how a Gen D member feels when he looks at something online as a potential purchase, and then little advertisements for that item or similar items keep popping up wherever he goes on the Web, over and over. Perhaps that has happened to you. You search for a new blender,

for instance, and the next thing you know you are being followed around for days and days on the Web by an annoying little blender advertisement. What could be more opposite of “invisible” or “magic”? Even if you are not a member of Gen D, you probably resent this. When we first saw Tom Cruise in the futuristic film *Minority Report* in 2002 being greeted with personal offers as he walked down a glass corridor, it was cool; now it seems problematic, dated, and intrusive.

When we got Gen D members together, one of the things we discussed was online advertising.²⁸ Asked about how they respond to the ads that show up on YouTube just before they can watch a selected video, one teenager was clear. “I hate it.” Turning to the rest of the group, he asked, “Right?”

Most said they skip the ads. One young woman was more specific. “Wait the five seconds, then skip the ad immediately.”

“Sometime I can’t even wait the five seconds,” a young man responded.

The most detailed response to the question revealed just how much of a chance you have with Gen D. One teenage girl explained that despite her lack of specific knowledge about how marketing is supposed to work traditionally, “it’s like they have those five seconds that you have to watch before you can choose to skip. So I was actually thinking about it one day and I’m like, companies need to make those five seconds really count. So sometimes I’ll continue to watch [if] in those five seconds you made it really, really extravagant and wonderful. Let me see what this is about.”

She continued. “I know I’m weird for doing that. But sometimes I do sit there, and I’ll watch the whole thing because that first five seconds was so good. But most of the time, yeah, I just skip it.”²⁹

The message here: *you’ve got a maximum of five seconds to capture the attention of Gen D!*

YouTube, though, sometimes will not let you skip the ads. You are forced to watch the entire ad. So, what do these Gen D members do? Most we spoke to rejected the idea of skipping; they had picked a video to watch and they wanted to see it. They’ll mute an ad if it goes on for 20 or 30 seconds, but longer?

“I reload,” said another young woman,” and sometimes it’ll go away.” A teenage boy explained, “See if you get a better ad.”

“But it’s kinda sad,” said a teenage girl, “because that’s people’s job. It’s sad that what commercials and ads have turned into—it’s just like, ugh. God! I want to skip it.”

Another young woman agreed. “Commercials,” she declared, “are the least effective form of marketing for me by far.” There was a chorus of agreement, and hatred for commercials—“on TV, at the movies . . . on the radio, on YouTube—it doesn’t matter.”

The companies that are advertising to these Gen D members are making them angry by wasting their time and violating their need to be in control of discovery. “I’m in the middle of doing something that I want to do,” said one of the teenagers. “I want to listen to the radio. I want to watch this movie. So you’re gonna interrupt what I purposely came here to do to tell me about your—no! I’m not gonna care about it now.”

You—the advertiser—have been demonized. You have been subjected to one meaning of Gen D’s “D.”

There are ways around this, like how Lush operates. While demon brands are busy trying to sell to the customer, Lush lets customers discover on their own. This is how Gen D wants it to work: they discover new brands and take pride when they discover something *unadvertised*, be it something known only through social media, something funded through Kickstarter, some entertainment distributed through crowd sourcing, or a consumer variant on flash mobs and meet-ups.

Let’s look more closely at this new pattern of discovery.

“I WANT TO BE THE DISCOVERER!”

Gen D is very quick to form impressions, often influenced by elements borrowed from others, and they are quick to make decisions. They are willing to act on their discoveries. The members of Gen D are immersed in streams of information. They are bombarded by activity feeds and tweets and other sorts of things that have already been customized to target them directly. Given that reality, you would

think they recognize that they are not discovering on their own. But they want to believe that they and their friends *are* the discoverers. This turns even the most advanced notions of proactive marketing on their heads and raises all sorts of issues for search engine optimization. You have to lay out honey pots in new and interesting ways so that these consumers will come upon them and never sense they were led to them. No pushing and no overt seduction. No chasing them around the Internet like that blender.

Thinking more about this, an old-school fishing analogy comes to mind. Traditional marketing is like drag fishing the bottom, with broad nets that not only pull up every possible fish but also grab license plates or whatever else may be lurking on the ocean floor. You drag around and just see what comes up. The best of the more proactive marketing is like spear fishing. You get to evaluate the surroundings, pick a target, pursue, and catch. But dealing with Gen D is more like fly fishing. Those who fly fish will tell you that the fish selects the fly not the other way around—and it's the fish's decision and action that gets it hooked. You have to be willing to spend a lot of time being patient as you tie flies, and then being more patient as you stand in the river with the fish, thinking all day about what might appeal to a fish. You spend hours thinking about a fish—all without disturbing the pristine setting. You may catch nothing and go home with an empty creel. Nonetheless, the shared perception must not be that you are a still, silent, hungry hunter, but instead you are a coparticipant in a shared experience. As the fish see you leaving, they “hear” you proclaim that it was a great day, even if you caught nothing.

Gen D members are like those fish. They need to hear you proclaim that engaging with them in any way, shape, or form was great . . . even if it's not how you really feel. In addition, just like with the fish (where you are not supposed to be selling), your approach with Gen D has to be “catch and release.” In other words, you need to earn your next strike—from scratch—with another brilliant lure.

Now *that's* discovery!

The Gen D “devour-or-demonize” characteristic changes everything about how you anticipate consumers might be led to

anthropomorphize your business. Gen D ascribes human attributes and feelings to the businesses they choose to engage with, even if they never deal with the same person twice. The businesses that have figured this out are the ones that make sure every time a customer deals with them, each and every one of their employees is part of an engaged, and engaging, organism. It's the Lush retail store. It's the Genius Bar at the Apple Store.

These companies embrace being anthropomorphized as well, ensuring that the brand has a consistent personality across channels and experiences, which enables people to associate the brand with a value system they like and support. Contrast that with the businesses that come across as schizophrenic and end up being customerpocalyptically disdained and demonized.

Gen D also creates an imperative to rethink the meaning of privacy, because there is strong evidence they have a very different conception of privacy than most of us are used to. Privacy has a different value to them; in fact, Gen D consumers are remarkably open to giving up what most of us see as privacy. This trend began with their Gen C precursors. Just consider the sorts of things they post on Facebook.

Gen D will let you watch them browse. In return, they expect that you won't try selling to them. They also expect you not to waste their time, and they might define wasted time in much smaller increments than you are used to. A teenager among the Gen D members we spoke to bemoaned how one online service he uses wastes his time with an ineffective recommendation engine (although he didn't use that term).

"Netflix thinks that I really like '70s and '80s horror films *and My Little Pony*," he said, mockingly. "I'm sure there's a demographic for that somewhere."³⁰

Even ridiculous recommendations are obviously based on some kind of data, the topic of Chapter 2.

Generation D members are also highly sensitive to anything that appears to be you *taking* their privacy. The Gen D privacy line seems to be situated right at the point where they think you might be profiting from their information. (Of course, they are smart enough to

know that you probably are, so you really want to steer clear of anything that makes them stop and think about it.)

All of these changes have contributed to why your business may already be decomposing. Being seen as uncool could be the trigger. A failure to retool your business to meet the expectations of Gen C may be the trigger. As if that weren't bad enough, add the halo effect Gen D has on Gen C and even people of older generations. With the stage set by Gen C for the ascendant Gen D, we are all being drawn into their online social world, with all of what that means for us as consumers.

Yes, Gen C and Gen D are driving companies to the brink. Some companies don't even realize it. They fail to see how important it is to change how they "intrude" on people. They don't understand just how intrusive customers, existing and potential, consider those injected online advertisements. No matter the upside in terms of driving business their way, these companies may be gambling with a very significant downside that could spell the beginning of their end.

Is yours one of those companies? Demographic reality is barreling down on you like a runaway train, driven by new digital technologies in what Forrester Research has aptly dubbed "the age of the customer"—defined as "a 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers."³¹

Gen D is your future. The coming customerpocalypse means your time is limited unless you make a dramatic change in the way you think about customers and customer engagement. This kind of change is absolutely fundamental to the continuity of your business, both because your customers demand it and your competitors are sharpening their knives. Incremental change will not do the trick, unless it is increments of a larger radical transformation over time—and a relatively short time, at that. Incremental change absent this overall intellectual transformation will not work, because the nature of the change simply does not lend itself to incremental thinking. The dramatic change required means you have to assume a very different intellectual vantage point, and any

incremental change must be in the context of transformation or you will hit the wrong target.

Let's take a look at how businesses got to this point, where they actually face destruction from the very customers and customerpocalypse they should be preparing for, beginning with the biggest elephant in the room—data.