The Compliance Business and its Customers

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Gaining Competitive
Advantage by Controlling
Your Customers

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Preface

Throughout this book, readers will find lists of bullet points in boxes at the start and end of sections and chapters. These points summarise key arguments which are of use for practitioners, managers, academics and students.

- o *This book seeks to describe and make sense of significant changes in thinking which have taken place in marketing practice and business strategy in the last 20 years which we term 'customer compliance' and which have profited from the introduction of new technologies such as the Internet.*
- o *In this book we also examine management and marketing innovations designed and implemented by practitioners across sectors, linking them to marketing and strategy theory and extant research*
- o *Readers should develop a clearer understanding of competitiveness through the application of modern technology.*

Marketing as an academic study has inherited the thinking, methodologies and communication of the academic disciplines which have informed thinking in the area, including the natural sciences, mathematics, statistics, psychology and sociology. However, our discipline also draws heavily from ideas and images which are prominent in the humanities and arts. The debate whether marketing is an art or science continues to this day; however, much of its growth and maturation in the twentieth century has been marked by attempts to apply and use approaches which appeared more 'scientific', and therefore reputable and legitimate. The resulting ideas, theories and the accepted ways of researching these ideas have become the norm in the marketing discipline, largely mimicking approaches taken in the natural sciences. These ideas have found their way into textbooks and have been presented to generations of students as objective, immutable facts.

The introduction and growing use of computers in the last 20 years, the ability to link computers, as well as more recent developments in technology and communications have assisted marketing practitioners in designing, applying and refining highly innovative strategies and techniques to manage their customers and business partners, with little or no reference to the traditional marketing approaches. While new technologies have supported the application of such novel marketing approaches, it is the ingenuity and ideas of marketing practitioners that have broken path-dependent norms to such an extent that new businesses have grown to replace traditional businesses across sectors.

One-to-one marketing, predicated on amassing large amounts of data about individuals along with automated marketing, made possible by the application of novel technological solutions, has replaced or questioned the utility of traditional segmentation, mass advertising and the over-emphasis on branding. Traditional value chains have collapsed under the weight of such developments. Most of the new initiatives designed and implemented by innovative marketing practitioners have risen through trial and error – a process which is cheaper, quicker and more effortless thanks to the development of technology solutions, particularly online and call-centre solutions enabled by innovative back-office software. Trialling new ideas and rapidly evolving novel strategies can be done quickly, even automatically and in real time, making much traditional market and marketing research obsolete.

Current marketing theories cannot adequately describe and accurately explain some of the innovations introduced by marketing practitioners referred to here and analysed in the remainder of this book. Such shortcomings make it increasingly difficult to teach marketing as a discipline in the Internet age, in spite of the proliferation of courses focusing on specific techniques such as email marketing or data mining. What we feel is missing is an overarching marketing theory which will allow marketing theorists to teach the next generation of marketing managers by revealing to them significant marketing problems and the current approaches to solving them.

This book sheds light on, and makes sense of, some technology-enabled innovations introduced by marketing practitioners which should stimulate thinking about what it is that some businesses do so well and why they have proved successful against their more traditional rivals. Our discussion questions current marketing frameworks and thoughts, in light of the practitioner innovations discussed here. We aim not only to help close the gap between practitioners' actions and academics' research but also provide opportunities for managers to benchmark themselves against the innovative business practices analysed in the book. The lesson for marketers, we would like to believe, is that marketing practice is not fixed and immutable – it is rapidly changing, inventive and may have something valuable to offer social thinking more generally.

The marketing practitioners, their businesses and the practices which they have invented that we describe here may appear to be too disparate and sharing little in common. They span across sectors and industries. Some are relatively new ventures, whereas others are traditional companies which have reinvented themselves. What unites them is the source of their competitive success – their ability to recognise, and eagerness to embrace, the advantages offered by rapidly developing technologies. Customer compliance is what unites these marketing practitioners, their businesses and the practices that they have introduced and which, we argue, are here to stay. Customer compliance, as practiced by these businesses, has come to question some long-held assumptions in marketing practice and theory, most notably the concept of customer centrality. The alternative, customer compliance approach to managing relations with customers, business partners and other stakeholders lowers costs of operation, contributes to business profitability and competitive advantage, and does not hurt customer satisfaction.

One example of a customer compliance business discussed by us is the low-cost airline Ryanair. Despite considerable criticism, on the part of the press, public authorities and even academics, of its treatment of customers, the company has been growing by attracting increasing numbers of customers while successfully retaining many of its current clients. If their customer management practices are as bad as some commentators claim, why is this company so successful? The ability of customer compliance businesses such as Ryanair to attract and keep customers and to grow their sectors, by taking market share from traditional competitors in these markets, needs to be understood. Hence, we asked ourselves the following question long before the very idea for writing this book: If such customer compliance businesses treat their customers so badly, why are they growing and increasing their profitability, while the traditional competitors of such companies, such as the legacy airlines, continue to lose market share?

In an attempt to explain how and why innovative marketing practitioners have effectively made their customers ‘compliant’ with their company requirements, while offering them significant enough benefits to retain their business, we also present some solutions to problems in sustaining competitive advantage in this age of hyper-competition and unpredictable company fortunes. Hence, the title of this book: ‘The Compliance Business and its Customers: How to achieve sustained success using new technologies’ as a useful label to describe the wide range of new and exciting marketing practices and businesses which have embraced technology and have learnt to use it to innovate marketing thinking by breaking path dependent norms and competing in novel ways.

Summary for managers:

- o *Innovative marketing strategies have rapidly evolved, enabled by developments in information and communication technology in the last 20 years.*
- o *Developments have affected all sectors in developed economies. In certain sectors they have challenged the supremacy of incumbent businesses.*
- o *The common theme which best describes these practices is ‘customer compliance’ whereby companies adopting ‘compliance’ practices make their customers, business partners and other stakeholders comply with their systems, benefiting those involved.*
- o *‘Customer compliance’ is about ignoring or even excluding complainers and costly dissatisfied customers.*
- o *In return for complying with company expectations, systems and procedures, ‘good’ customers are rewarded with lower prices and, in many cases, good or adequate service.*
- o *Although ‘customer compliance’ may appear counter-intuitive and disadvantageous companies practicing it, many ‘customer compliance’ businesses appear to have competitive advantage, displacing incumbents and attracting customers despite the negative publicity which they attract.*