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CUSTOMERING: THE NEXT STAGE IN THE SHIFT TO MASS CUSTOMIZATION

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There are no markets, only customers.

Markets, as commonly conceived of in business, simply do not exist. They are a convenient fiction for companies that do not want to treat customers as the unique individuals they truly are. A customer is not part of a market, nor a segment, nor a niche, nor a generation, nor a persona, nor any other agglomeration of anonymous buying units of indeterminate size. A customer is a living, breathing individual person – or, if you sell to other businesses, an active, corporeal individual enterprise. We must therefore ascend to the proposition that all customers are unique; undeniably, unremittingly, unalterably unique.

And that means we must stop "marketing," and instead put into practice the principles of *customering*.

I first thought along these lines way back when I was a strategic planner at IBM. My job for the AS/400 computer system (announced in June 1988) was to bring customers and business partners into the development process of the system. That experience made me realize a simple truth: every customer is unique. Every single customer that came through our Early External Involvement program, as we called it, wanted to use the system in different ways, connect it to different hardware, load on different software, achieve different objectives, and so on.

Each customer was unequivocally unique. But we at IBM did not take that into account as we designed the AS/400 for this large, homogeneous, general-purpose minicomputer market that simply did not exist.

MASS CUSTOMIZATION

So when I shifted into strategic planning, I went in search for how we could resolve this dilemma, and that is when I read Stan Davis's book, *Future Perfect*.[1] When I read the chapter on "Mass Customizing," it was like the heavens opened up and the angels sang, for Stan described exactly what was going on in my world of minicomputers and what we could do about it. As he wrote in coining the term "mass customization":

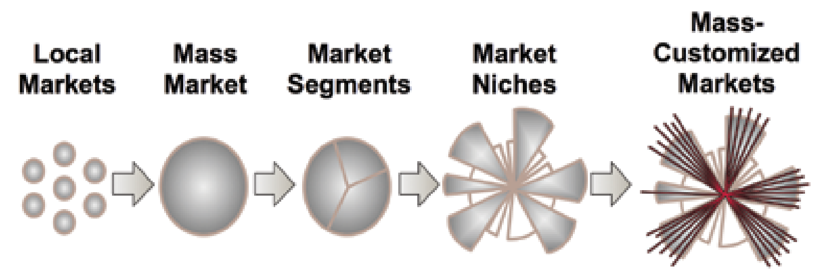
> What is the final step, the unitary building block for the market whole in the new economy? It is the "individual" customer. Units of one, whether a consumer or a corporation. But these are not the single consumers and firms who were reached with customized goods and services in the limited, preindustrial markets. Rather, in the same way that segments and niches are reached on a mass basis, individuals can now be reached on a basis that is simultaneously mass and customized.[2]

Individual customers! That's the building block of the entire economy, the literal unit of analysis for all of business. We again need, therefore, to treat these individual customers as the unique individuals that they truly are. Mass customizing enables us to meet the co-equal imperatives of giving customers exactly what they want (customization) at a price they're willing to pay (mass).

I worked diligently to get that insight into the plans and strategies of the AS/400 division of IBM, after which the company sent me to MIT to get my Master's degree in the Management of Technology. When it came time to write my thesis, I took the opportunity to begin writing a book-length treatment of this subject, resulting in my 1993 book, *Mass Customization: The New Frontier in Business Competition*.[3] In writing it, I defined mass customization as "variety and customization through flexibility and quick responsiveness."[4]

Which was wrong! My research had led to me to a wealth of data that showed how the old ways of the system of mass production were falling apart as more and more companies across a wide breadth of industries seemed to be abandoning the "any color car you want as long as it was black" mentality by greatly increasing the variety of their output. But eventually I realized that variety was managers' last-ditch effort to preserve the old paradigm. Variety is still producing to inventory in the hope that a customer would come along and want it. True customization only results from on-demand operations, where the final product is not produced until the customer indicates this is what he or she wants.

2.1
Market development. Source: Davis, *Future Perfect*.



And so, let me give you this much better, certainly more concise and simple, definition of mass customization: *efficiently serving customers uniquely*.

That is what the system of mass customization is all about, for you must meet the co-equal imperatives of *mass* – high-volume, low-cost, efficient operations – and *customization* – serving that individual, living, breathing customer. It is about giving each customer exactly what he or she wants at a price he or she is willing to pay.

MARKET DEVELOPMENT

Let us go back to the very first framework on mass customization that Stan Davis published in his 1987 book, where he wrote about how markets develop. In the beginning were local markets, where everything was developed locally, was bought and sold locally, was produced locally. Then with the advent of the Industrial Revolution, business was able for the first time to create a truly mass market. It was, of course, Henry Ford who put it all together with the system of mass production, where everyone was part of the single mass market. That huge innovation – which was not about just marketing per se, but encompassed how the entire corporation was organized – diffused through industry after industry as mass production became not only the paradigm but the paragon of business competition. Make no mistake, it was mass production that made the United States the number one economic power in the world.

But then along came a gentleman by the name of Alfred Sloan, who put together General Motors. Sloan segmented that mass market and treated different segments differently. General Motors organized around five brands for five market segments (his not-as-famous phrase was "a car for every purse and purpose"), putting in separate factories, distribution outlets, marketing functions, and so forth for each segment, from Cadillac at the top, then to Buick and Oldsmobile, and on down to Pontiac and Chevrolet at the bottom. And that focus on market segmentation diffused through industry after industry.

Over time, however, those segments kept getting smaller and smaller and smaller and eventually became mere niches. We coined a phrase at IBM that "the niches are the market" because segments of any size were nowhere to be found; niches provided all the activity. What Stan Davis foresaw was that if you take this progression to its logical conclusion, you get what he called "mass customized markets" (figure 2.1),[5] or markets of one, where every customer is his or her *own* market. He realized that technology was bringing down the cost of customization and would eventually get to the point where companies could mass customize unique offerings to each individual customer.

Here we finally reach that unitary building block of all economies, where the individual customer can get exactly what he or she wants at a price he or she is willing to pay. Mass customization breaks down the barriers standing in the way of addressing customers as the unique individuals they are.

That is the way it was back in the days of local markets when buyers and sellers would come physically together to exchange wares for money (or sometimes barter for each other's goods). But every customer was unique, and if the supplier didn't have exactly what you wanted, for additional time and money you could work individually with your cobbler, your tailor, your toolmaker, or whoever it might be to get a product that better met your personal requirements than their standard, off-the-shelf (or in-the-cart) offerings – but then you had to pay far more for the privilege.

But guess what? Even in the height of mass production, every customer was unique. But people subsumed their individual desires to buy standardized products that they otherwise could not afford at all. A car that was whatever color you wanted and matched whatever other specifications you personally thought important mattered little if you could not afford for the manufacturer to customize it to your particular wants and needs. But that doesn't mean those personal wants, needs, and desires weren't there, that people actually *were* all the same. That is just how enterprises necessarily had to treat them as they embraced the system of mass production and went down the old learning curve of cost versus volume. Eventually, it seemed that enterprises *forgot* that customers were unique and began to believe that there actually was a mass market of pretty much identical customers, and Madison Avenue did everything in its power to reify this myth.

The same was true as producers introduced more variety through market segmentation. Still every customer was unique, and yet enterprises treated them as part of an amorphous agglomeration of anonymous buying units, just of lesser size than with mass markets. And the same with niche markets – they were smaller yet, but as far as any enterprise was concerned, every customer within any particular niche was the same. But that wasn't true. *For every customer is unique*. Always has been. Always will be. Undeniably, unremittingly, unalterably unique.

CUSTOMERING

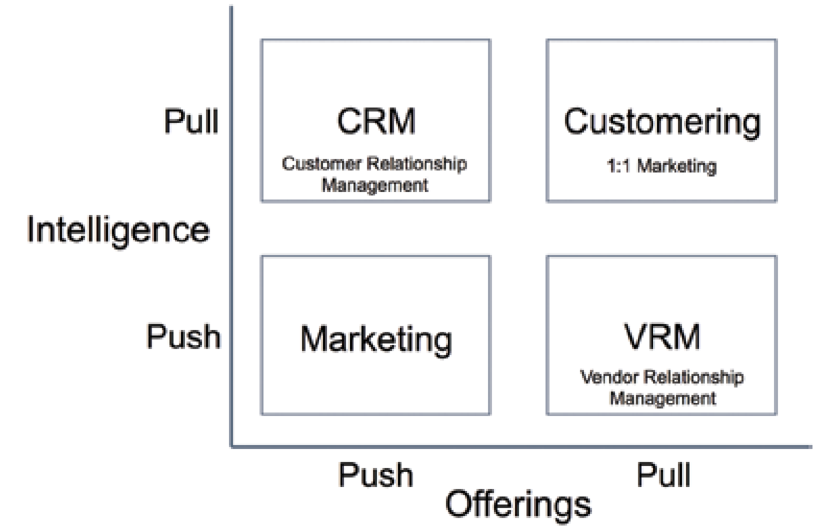
That is why we must stop marketing and start customering. Just as one day in the past the term "marketing" did not fall as trippingly off the tongue as it does now, so too the term "customering" will take some getting used to. (Just saying the word "customering" out loud every time you encounter it in this chapter will go a long way to getting your tongue accustomed to saying it and your brain wrapped around it.) Behavior change starts with vocabulary change, however, and it is important to embrace this new language, or the organization will slip back into old practices that first developed in the days – and within the mindset – of mass marketing and the system of mass production.

So what does customering mean? The American Marketing Association (AMA) defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."[6] If we accept that definition, we can readily construct this one:

> *customering* is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging *customized* offerings that have *unique* value for *individual* customers, clients, and partners *while creating economic value* for society at large.

You can see the emphasis of customering on creating *customer-unique value* through (mass) customized offerings.[7] As the AMA recognizes for marketing, customering is not just about "talking" to individual customers, recognizing them as individuals and understanding their

2.2
Ways of interacting with customers.



unique requirements, so you can use that information to develop new economic offerings that meet those needs somewhere down the line. Customering is about *creating* a customized offering that meets the individual wants, needs, and desires of this particular customer at this moment in time. Think of this as a more straightforward definition: *interacting directly with individual customers to create customer-unique value within them*.

Meeting that definition requires an about-face from all of the core practices that have grown up around the concept of marketing for the past century, ever since the halcyon days of mass marketing that accompanied the shift to mass production. In this chapter I will compare and contrast the key marketing practices with their corresponding vital customering practices, using "From/To" statements. All told, the practices comprising these "To" statements provide an overall picture of customering.

FROM PUSH/TO PULL

Marketing, as it is commonly carried out in most enterprises, is push, push, push. It takes an offering that is generally already hanging on a rack, lying in a lot, or sitting on a shelf somewhere and seeks to push what it already made onto a customer, often without caring whether the offering really meets the needs of whoever buys it. There is a reason people dread the push-y salesperson, whether in a store, on a lot, or over the phone!

Customering is the exact opposite; it's all about *pull*. You start with the customer – not the product – and pull intelligence about the wants, needs, and desires of this individual customer *before* you determine what to offer to him or her. In fact, the ideal is to do it before you even *create* the final offering for the customer.

In fact, there are four different ways that you can interact with customers (figure 2.2), depending on whether you push or pull your *offerings* – the economic value you create for customers in exchange for their money – and push or pull the *intelligence* about those offerings and/or customers.

Marketing once again is all about push: pushing what information you have on your own offerings out to customers through all the means at marketing's disposal, most notably (as well as most annoyingly) through advertising. And then, again, it pushes the offerings already produced out to the customer as well. Even in industries such as automobiles where tremendous customization capabilities exist, salespeople do whatever it takes to push you to buy something that is already produced and sitting there on the lot taking up space and adding up depreciation.

Customer Relationship Management, or CRM, seeks to pull intelligence from customers about what they need – often customizing messages to do so – but still largely pushes the same offerings (or variations thereof) out to those customers. CRM can be a giant leap forward for enterprises that previously never talked with or even interacted directly with individual customers, but at the end of the day, it rarely results in changing operations to make offerings customized to those customers.

Vendor Relationship Management, or VRM, is a still uncommon but intriguing concept advocated by Doc Searls in his book, *The Intention Economy*,[8] specifically designed as the exact opposite of CRM. Here, customers push back to enterprises their intent to buy particular offerings, including the specifications they are looking for individually or as a group, and then any company can respond with offers that meet those specifications. Searls calls it a "personal RFP"[9] (request for proposal), where customers are in control, pushing out their needs and pulling from those companies connected to their personal VRM systems the offerings that meet those needs.

Finally, then, there is customering. This way of interacting is pull-pull: pulling intelligence from individual customers – where in its ideal form companies only ever ask a customer a question when the answer will benefit *that particular customer* – and then pulling the offerings most exactly responding to what the company learns back through its own operations (and that of its suppliers) to meet an individual customer's needs. In terms of interacting with customers, customering realizes the concept of "1:1 marketing" that Don Peppers and Martha Rogers first wrote about in *The One to One Future*.[10] A company embraces 1:1 marketing, and satisfies this practice of customering, if it enters into dialogue with customers to learn about their individual wants, needs, and desires (pulling intelligence) and then customizes what it offers to those same customers in response to what it learns (pulling offerings).

FROM TARGETING/TO ENTICING ...

Perhaps the most pernicious practice of marketing is targeting customers that the company thinks – based on what little it knows (usually mere demographics) – might be in the market for one of its offerings, and then bombarding them with messages to buy, buy, buy that offering. Think of the online ads that follow you around from site to site because you once upon a time looked at a particular product and, in all probability, decided you didn't want it. You have been targeted. And no one likes a bullseye on their back.

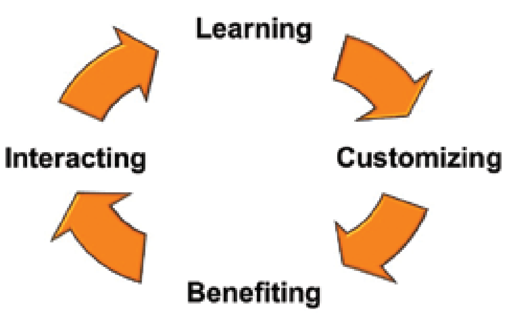
Customering, on the other hand, means *enticing* your customers to want to talk with you, to want to share intelligence about themselves and their desires, to be open to offerings you have that would in fact fulfill those desires. Part of the allure, of course, is your reputation and promise to keep what you learn private and secure, but companies also must surround their offerings with experiences that draw potential customers in, engage them in the process of discovery, and help them see the possibilities.

... AND TO CULTIVATING LEARNING RELATIONSHIPS

Customering goes further, however, by recognizing that interacting with customers is not a one-period game – in fact, it is not a game at all, but a relationship that grows and deepens over time. You must *cultivate a learning relationship* with each individual customer, predicated on a virtuous cycle (figure 2.3) where you understand that every interaction – not just transaction, but all the ways you can interact with customers physically and virtually – provides an opportunity to learn. And the more you learn about this individual, living, breathing customer, then the better you can customize to this particular customer. (And it may not just be offerings you customize; you also can customize how you represent your offerings, how you interact with customers, the content you provide to them, the recommendations, and so forth.)

The better you customize to this customer, then, the more that customer is going to benefit – customization has value, and experiencing that value means clearly understanding the benefits. And the more he or she benefits, the more willing he or she will be to interact with you again, and every interaction is an opportunity to learn.

2.3
The learning relationship.



This virtuous cycle exists around each individual customer and can become virtually impregnable to competitors who do not have the capabilities for learning and customizing. And even when competitors embrace customering themselves and entice customers into entering into such learning relationships, it is still an incredibly powerful competitive advantage. Why? Because customers teach you so much about themselves that even if they were to go to somebody else with the selfsame capabilities, they would have to teach that company all over again what you already know today. When you cultivate learning relationships – with the provisos that you do not try to then gouge your customers or fail to innovate new offerings that they will desire – your customers will come back to you time and time and time again, whenever they need what your capabilities provide.

FROM PRODUCT-CENTRIC/TO CUSTOMER-CENTRIC

Marketing tends to be exceedingly product-centric, which follows directly from its practices of targeting customers so it can push its offerings on them. Product-centric companies are like the snake-oil salesmen of old; they always seem to have exactly what you need for whatever ails you.

Customering must be customer-centric. To understand what this means, let us start with proper definitions. If you look up the word "customer" in *The Oxford English Dictionary* you will see that it is "One who frequents any place of sale for the sake of purchasing; one who customarily purchases from a particular tradesman; a buyer, a purchaser."[11] In other words, the customer is the one who pays you money. And "centric" is quite simply "That is in or at the centre, central."[12] Putting them together yields this clear definition: *being customer-centric means placing the one who pays you money at the center of everything you do.*

Now there is one word in this definition that I want to emphasize, and the one word I want to emphasize is the word "one": being customer-centric means placing the *one* who pays you money at the center of everything you do.

Again, a customer is not a market, nor a segment, nor a niche, nor a generation, nor a persona, nor any other agglomeration of anonymous buying units of indeterminate size. A customer is a living, breathing individual person – or, if you sell to other businesses, an active, corporeal individual enterprise. And you must place that customer – each and every customer – at the center of everything you do.

That doesn't mean you oblige every possible customer out there rather than choose which customers to serve. It doesn't mean you pander to customers and just do exactly what they say they want rather than discern what they truly need. It doesn't mean you try to lock customers into a learning relationship that enables you to dominate them to gain the lion's share of the relationship's economic benefits. It doesn't mean you need to follow their every whim rather than think on their behalf about what they are going to need in the future. It doesn't mean you ignore new technologies and industry disruptors rather than continue to innovate at least as much, as fast, and as effectively as the ecosystem to which you belong.

Rather, being customer-centric means you recognize the uniqueness of each customer you choose to serve so that you can in fact efficiently serve customers uniquely. It means you endeavor to provide what they need, as the individuals they are, now and into the future. It means you innovate for, with, and on behalf of your individual customers. For only then will you place the one who pays you money at the center of everything you do.

FROM FINISHED PRODUCTS/TO MODULAR CAPABILITIES

The product centricity of marketing arises from the fact that marketers want to generate demand for finished products, already in inventory, complete, and ready to be pushed out to customers. Even if an enterprise's offerings are intangible services for which there is no inventory, marketers generally predefine the offerings, with no chance of changing them because of the needs of any particular customer.

When practicing customering, you need to shift from finished products to *modular capabilities*. Modularity is the key to mass customizing your offerings, to efficiently serving customers uniquely, to giving every customer exactly what he or she wants but with low-cost, high-volume, efficient operations. When you think of modularity, think of LEGO building bricks. What can you build with LEGOs? Anything you want! Why? Because you have a large number of bricks of different sizes, different shapes, different colors, plus a simple and elegant linkage system for snapping them together. That is modularity – modules plus linkage system.

If you have any LEGO bricks handy, take six 2 x 4 bricks. (If you have to imagine them, they have eight studs on the top and underneath have three tubes that enable the studs of another brick to couple, or link, the two elements together.) Examine them and play with them, putting them together in different ways, and see if you can figure out the answer to this question: How many different ways can you put these six LEGO bricks together? (We will ignore color.)

If you are an engineer type, the phrase "six factorial" probably jumped immediately into mind. For those unfamiliar with the math concept, this is 6 x 5 x 4 x 3 x 2 x 1 = 720 different combinations, which answers the question "How many different ways can you stack six *colored* LEGO bricks immediately on top of each other?". But that is nowhere close to the numbers of ways that six such LEGO bricks can connect; there are so many different ways to connect the bricks that the actual number that LEGO Group itself published is 102,981,500![13] (By way of comparison, astronomers estimate there are approximately 100 million black holes in the Milky Way galaxy.)

In fact, however, even that astronomical number is way too low. After LEGO published this number, a couple of Danish mathematicians tried to figure out how the company arrived at that figure, and in analyzing the situation realized that LEGO only counted the 6-high combinations, those with one of the 2 x 4 bricks as the base, a second one placed on top of that in various different ways, the third somewhere atop that, and so forth. But you can put the six bricks together with multiple ones at the same level (such as a base of two or three bricks), and so can also make 5-high, 4-high, 3-high, and 2-high combinations. (There are no 1-high combinations; that is just the six unconnected bricks lying on the floor.) So adding up the total of all of these combinations, the mathematicians arrived at the even more astronomical number of 915,103,765.[14] And that is with just six bricks! It shows the power of modularity, for it doesn't take very many modules or a very robust linkage system before you, too, could have millions or even billions of different, customized offerings for each and every one of your potential customers.

But by no means do you want to expose your customers to that many choices! That is the easiest mistake mass customizers make, overwhelming their customers with so many choices in a way that makes their eyes glaze over. Understand that customers don't want choice. They just want exactly what they want. You therefore need some sort of design tool, a technology that enables you to draw out of each customer what his or her individual needs are – even if he or she doesn't know what that is or can't articulate it – and specifies the offering meeting those needs. The design tool lets customers visually and ideally viscerally experience what the final offering would be, while simultaneously ensuring you know it is something you can produce efficiently. Once you have that perfect order for this particular customer at this moment in time, you can get that information back into operations to produce that offering by linking together exactly the right set of pre-defined modules in your portfolio of capabilities.

It is again modularity that makes all this efficient, that enables you to mass customize your economic offerings. Even if you can't modularize your offerings, however, you could still modularize your processes, where you perform different activities for different customers. And even if you can't do that, you can modularize information so you present yourself and your offerings differently to different customers.

All information today can be represented in digital technology, and *anything you can digitize, you can customize*. Digital technology presents the ultimate in modularity, for once something exists in bits of zeroes and ones, you can instantaneously change a zero into a one and vice versa at no cost. And then you can combine those bits into modular bytes, and those bytes into modular strings, and those strings into modules of information of increasing meaning and value, precisely because of this nested architecture of modularity.

Many industries today have essentially information-based offerings, including news, music, entertainment and media of all stripes, games across all digital platforms, telecommunications, banking, and insurance. And so all such industries have gained greater levels of customization following on every stride in digitization. (Few companies in these industries, unfortunately, have embraced all the practices of customering, still treating many of their customer interactions through the lens of marketing.)

As with other forms of modularity, too, even if you can't digitize your product, you may be able to digitize your processes to make them more efficient and easier to link together physical modules on behalf of individual customers, or information about your products, including how you present your offerings to each customer on your website or app, say, or in your design tool.

FROM PRODUCING ECONOMIC WASTE/TO DOING ONLY AND EXACTLY

There is another benefit to this whole schema of interaction that modularity enables: eliminating economic waste. With marketing's dependence on the system of mass production, customers must buy standardized offerings produced for mass markets, or (with increasing variety) segmented markets and even niche markets. Until you get down to markets of one – what Stan Davis originally called "mass-customized markets" – enterprises always want to sell something they have already produced. Sure, sometimes that off-the-shelf product really does meet your needs perfectly fine. In the vast majority of cases, however, buying standard means it doesn't meet your needs across all the dimensions that are important to you, sometimes by a little, often by a lot. Whenever a company puts something it has already produced on sale, it is in effect trying to *pay customers* to take something that doesn't fully meet their needs, since they certainly didn't want it at the normal price. In the extreme case of the apparel industry, I am told that over half the products produced aren't purchased at full price, and the lion's share of those *are never bought at all*, ending up cut to pieces in a landfill somewhere. That is pure economic waste.

In fact, whenever a company produces something that doesn't meet a customer's exact needs, it has, as a by-product, produced economic waste. It has wasted the Earth's resources – whether the limited commodities it extracted from the earth, the costly goods that were used as components in creating the offerings, or the precious supply of human capital required in production, delivery, fulfillment, and, yes, marketing.

The only way to eliminate such economic waste is to follow this fifth practice of customering and *do only and do exactly* what each individual customer wants. And the key to making that happen is to focus relentlessly on *customer sacrifice*.

Most marketers measure *customer satisfaction*, a measure of what customers perceive they received from an offering relative to their expectations of that offering. It is in fact a good way for those with a push mentality to begin focusing externally, outward toward the customers. But there are two primary problems with it. First, the measure is misnamed, for it measures *market* satisfaction, not *customer* satisfaction. Any information gleaned from an individual customer is never used to benefit that customer, but instead is rolled up into one giant "CustSat" number of *average* customer satisfaction. (Net Promoter Score, or NPS, is similar in this respect.) Second, it is relative to expectations, which often have nothing to do with what customers truly want, for most marketers spend not inconsiderable resources to *lower* their customers' expectations to make them easier to hit.

Customer sacrifice, on the other hand, is a true customer measure, seeking the difference between what a customer *settles for* and *what he or she wants exactly*. Forget about their expectations. What is the ideal offering for this particular customer, even if, again, the customer himself or herself doesn't know what that is or can't articulate it? What can I do to reduce this individual customer's sacrifice gap by getting closer and closer and closer to doing only and exactly what he or she wants? Then use your mass-customizing capabilities to reduce that gap, maybe not all at once, but gradually and persistently over time.

Contrast this relentless focus on customer sacrifice with the old ways of gaining competitive advantage. With the old learning curve – the very basis of mass production – costs come down with volume. It has its own virtuous circle: the more volume you have, the lower your costs. The lower your costs, the lower you reduce your prices. The lower your prices, the more customers buy. And the more customers buy, the more volume you have. Mass producers wanted to operate on the flat, low-cost part of that old curve until the cash cows came home and mooed with delight. And it worked perfectly well for as long as we could treat customers as part of a mass market, as long as customers were willing to forego their individual desires to get standardized offerings that were cheap enough to pay for all that sacrifice they encountered, and as long as competitors didn't themselves figure out that they could gain an advantage by getting closer themselves to meeting individual need.

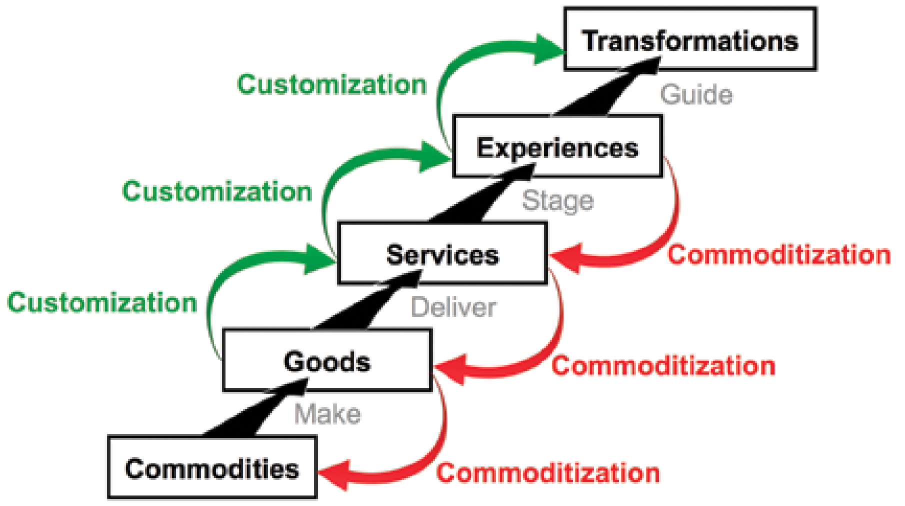
Those days are gone.

With the new learning curve – the basis of customering by cultivating the virtuous circle of learning relationships – customer sacrifice comes down with interactions. As discussed earlier, every interaction is an opportunity to learn and then better customize to that individual, living, breathing customer. You want then to operate on the flat part of this new curve where you know this particular customer so well he or she will never go to another company and teach it all over again what you already know today. Here, of course, there is a different learning curve for each customer, with every one predicated on getting closer and closer to doing only and exactly what each customer wants.

FROM "PRODUCT & SERVICES"/TO ECONOMIC OFFERINGS

So much does marketing focus on pushing out what they have already made (goods) or defined (services), that many companies refer to their offerings with the phrase "products & services." This is so endemic in banking that it often comes out as one six-syllable word: productsandservices. But of course the financial *services* industry has *no physical products* (goods); it only has intangible services. But to them their "products" are sitting on the shelf waiting to be sold as if they were inventoried like physical goods. (Plus it is now generally accepted to use "products" as a synonym for "economic offerings" as I often do, reserving "goods" for tangible offerings. So "product-centric" as used above can apply to other than manufacturers.)

2.4
The progression of economic value.



Such confusion will not do for those who want to move from marketing to customering, for you must understand exactly what kind of economic offerings your customers desire, and consider the genre(s) of offerings that will create the most value for – and within – individual customers.

So, recognize, as seen in figure 2.4,[15] that there are five and five only genres of economic offerings. To briefly summarize the history of economic progress, the *agrarian economy* (based on commodities) was supplanted by the *industrial economy* (based on goods), which in turn was superseded by the *service economy*, and now that economy based on services has been unseated by the *experience economy*. Today, experiences are fast becoming the predominant economic offering as well as the source for growth in jobs and GDP in all developed economies.

An experience is a distinct economic offering, as distinct from services as services are from goods. Experiences are when you use goods as props and services as the stage to engage each and every individual in an inherently personal way, and thereby create a memory, which is the hallmark of an experience.

There is no country and no industry in the world that has not been touched by this shift into the experience economy. Enterprises must figure out how they incorporate experience staging into their businesses – or end up commoditized. Even those who have always been experience stagers – think sporting events, concerts, plays, movies, museums, games, theme parks, and the like as well as many hotels, restaurants, retailers, and so forth – must up their game, because now everyone else is getting into their business.

Note the two dynamics in this progression of economic value (figure 2.4). First, as we shifted into the experience economy, goods and services were *commoditized* – treated like undifferentiated commodities that people only want to buy on the basis of price and convenience. The second dynamic, *customization*, is the antidote to commoditization. You cannot help but be differentiated if you work directly with individual customers and create offerings just for them.

That is in fact how I discovered the progression of economic value, for I realized that mass customizing a good automatically turned it into a service. Think about the classic distinctions between the two: goods are standardized while services are customized – done on behalf of an individual customer; goods are inventoried after production while services are delivered on demand – when the customer says this is exactly what he or she wants; and goods are tangible, while services are intangible – and part and parcel of mass customization is the intangible service of helping customers figure out exactly what they want. So mass customizing a good means defining, making, and delivering an exact item that fits each individual customer's needs at a particular moment in time – and that, by definition, is a service!

I next realized that mass customizing a service turned it into an experience. If you design a service that is so appropriate for this particular person, exactly what he or she needs at this moment in time, then you can't help but make him or her go "Wow!" and turn it into a memorable event.

But as you can see from the progression of economic value (figure 2.4), experiences can also be commoditized (as indicated by that hallmark phrase "been there, done that"). And so the progression of economic value has one more step for customizing an experience – designing and staging exactly the right experience that this particular person needs at this moment in time – turns it into what we often call a "life-transforming experience," an experience that changes us in some significant way. Here companies use experiences as the raw material to guide customers to change, to help them in achieving their aspirations, to become what they want to become. That is, economically, a *transformation*. With transformations – think fitness centers, healthcare, universities, management consulting, and so forth – it does not matter what inputs the company provides, the only thing that matters is the *outcomes* the customer achieves. In the final analysis, there is no more economic value you can provide than helping someone achieve his or her aspirations.

Besides getting out of the "products & services" trap, another reason why this framework is so important for customering is that we can summarize it with one word: *individualization*. Each successive economic offering gets closer and closer and closer to what each customer really truly wants, needs, and desires as an individual, living, breathing human being (or, again for B2B companies, an active, corporeal individual enterprise). Think about it. Commodities are some arm's-length stuff you hardly ever touch and feel anymore. Goods are tangible objects that we own like our cars, our clothes, and so forth. Services are activities performed on those objects, like changing the oil in our car or cleaning our clothes, or on ourselves, like cutting our hair or providing an analysis of our finances. Experiences for the first time *reach inside of us*. Experiences happen within us as individuals, in reaction to the events that are staged in front of us. And transformations *change us inside*. With transformations *the customer is the product* – it is a changed being that individuals seek from transformation elicitors.

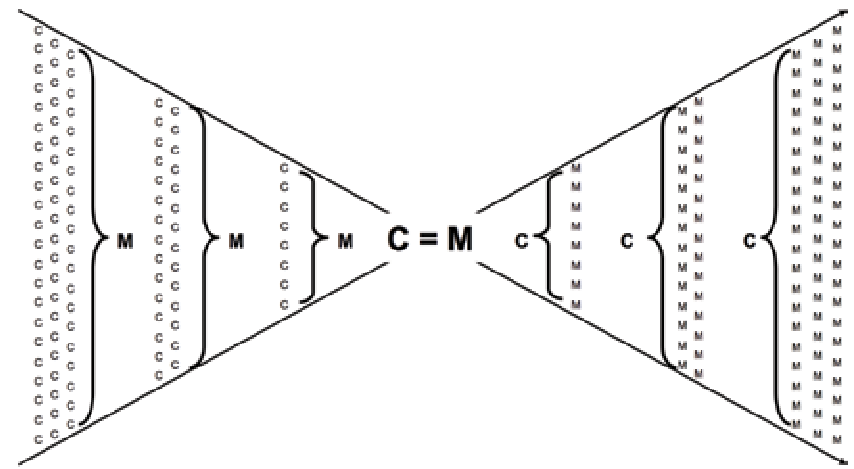
So enterprises that embrace customering should think beyond "products & services" to seek out opportunities of providing much greater value to their customers through experiences and transformations via not just customizing but *individualizing* their offerings.

FROM MULTIPLE CUSTOMERS IN A MARKET/ TO MULTIPLE MARKETS IN A CUSTOMER

There is a second sense in which customering companies (some day we will be able to parallel "marketers" with "customerers," but that day is yet to come) should reach inside of their individual customers to create customer-unique value. If you harken back to Stan Davis' original framework for mass customizing, the market development framework given earlier, note that with mass markets, marketers viewed *all* customers as belonging to the one mass market. As business competition shifted to segmented markets, only a portion of the total number belonged to each segment, but still a segment was comprised of many, many customers. Fewer customers belonged to niche markets, but still every market was comprised of multiple customers. Then, finally, with what Stan Davis called "mass customized markets," we reached the point where every customer is his or her own market. Every customer should be treated as the individual he or she is, deserving again to get only and exactly what he or she wants at a price he or she is willing to pay.

It seems like that is as far as this progression of market development can go, from every customer being a part of the one mass market to fewer customers being successively part of smaller segments and niches, to finally each customer being his or her own market, a market of one. But it is not the end of this progression, for it inverses, where we realize that *every customer is multiple markets* (figure 2.5).

2.5
Multiple markets within model.



Think about it. When I travel on business, I want one thing from my airline, my hotel, my rental car, the restaurants that I go to. If I bring my wife along, all that changes. Same thing if I travel for vacation versus for business – or a combination of both. If we bring the kids along, my needs in all these areas (and more) change yet again. I am the same customer, but I am in different markets in each of these situations and many more that could be explored.

To employ customering, we must recognize these *multiple markets within each individual customer*. This, in fact, restores the original conception of the term "market" before businesspeople broadened it beyond measure and understanding. Originally – at the time of the "local markets" in Stan Davis' market development framework – a "market" was a physical place where buyers and sellers came together to exchange money for wares (almost always commodities or goods back then). That is the same sense in which I am using "market" here, just expanded a bit: it is the *physical or virtual* place where buyer and seller come together to exchange money for *this* particular offering that meets the needs of *this* individual customer at *this* moment in time. We must restore this meaning of the term *marketplace*.

The same is true for business-to-business (B2B) customers: there are multiple markets within each customer, and here we can further acknowledge the multiple people who are involved with B2B purchases. You may come to terms with a purchaser, who has to meet the requirements of one or more functional executives, and who then have to meet all the individual needs of the end users that use your goods, benefit from your services, undergo your experiences, or change as a result of your transformations.

As time goes by, as more and more enterprises cater to these markets within each customer, people will themselves more readily recognize how much they want particular offering categories differently at different times, and demand more and more that companies reach inside of them and access these multiple markets within. If you want to transform yourself from being a marketer to a customerer (still too soon?), don't stop at serving markets of one – as great a leap as that may seem from the standpoint of current practice in your firm – but continue on to fulfill the wants, needs, and desires of the individual markets within your individual customers.

FROM SMART PRODUCTS/TO GENIUS PLATFORMS

Perhaps the easiest way to reach these multiple markets within is to infuse your offerings with digital technology so that they become what are known as "smart products" – products embedded with sensors and intelligence that enable them to sense and respond to their environment. We discussed earlier how digitization enables companies to efficiently serve customers uniquely through its inherent modularity; smart products amp this up to a whole new level by being able to modify their functionality to meet changing customer needs.

As the infusion of digital technology across all facets of modern life continues apace and its cost continues to plummet, marketers already offer smart products across a wide array of industries. If they maintain, however, the other marketing practices discussed here – and especially the mass marketing mindset behind them – then they will never gain the full economic value of the capabilities available today and into the future. But by embracing a customering mindset focused not only on individual customers but the multiple markets within them, they will be able to go beyond mere smart products to finding their role in one or more *genius platforms*.

Let me explain. Because of the existence of smart products, offerings without embedded intelligence are increasingly being called "dumb products" (a linguistic backformation, like the term "acoustic guitars," which became necessary only after the invention of electric guitars). The distinction between dumb and smart products is by now well documented, but less understood is the effect on customers of being dumb in an increasingly smart world: it makes them feel downright *stupid*. How many times have you placed your hands in front of a faucet only to realize that it is not sensing your hands and you actually have to touch the handle to get it to turn on? Stupid. How often do you wait for a stoplight at an empty intersection, for no reason? Stupid.

Even smart offerings that have embedded intelligence can degenerate into stupidity. Think of the times you have called a contact center, keyed in your account number, and then reached a real person who promptly asks for your number again. Stupid. Or the mental contortions you have to go through to first make up a unique password for some site, app, or program – and then to remember it when asked for it over and over again. Stupid. And just because the company's offering isn't as smart as it should be, it makes *you* feel stupid.

In a world increasingly filled with the smart, the dumb, and the stupid, you must strive for the smart and resist deteriorating into the stupid. And you should also consider becoming a budding genius, for as the research of my colleague Dave Norton of Stone Mantel (who greatly contributed to the notion of genius platforms) shows,[16] the advent of intelligence in offerings has preconditioned people to expect more. More connections among all their devices. Better integration across their lives. Greater capabilities to do what before could only be imagined. For what Dave and I call genius platforms effectively endow people with *superpowers*. They give customers capabilities that to the average person living 20, 10, even 5 years ago would have seemed to be magic.

What does it take to put this final practice of customering in place and go from the merely smart to the pure genius? Smart products again sense and respond to your needs, while genius platforms *anticipate* what you are trying to accomplish before you even have to say anything; genius is prescient. Smart products customize to the individual, while genius platforms *individualize* to the job to be done. Again, every customer is multiple markets, and fulfilling the need I have – the job I want done – at this moment in time, well, that is genius. And, finally, smart products enable customers to control their circumstances, while genius platforms understand and support *digital context* – all the collective intelligence residing across the entirety of a customer's smart products – to go far beyond what any single smart product can do – and effectively enable superpowers!

2.6
Marketing versus customering.

Marketing	Customering
• From Push	• To Pull
• From Targeting	• To Enticing. . . and To Learning Relationships
• From Product-Centric	• To Customer-Centric
• From Finished Products	• To Modular Capabilities
• From Producing Economic Waste	• To Doing Only & Exactly
• From "Products & Services"	• To Economic Offerings
• From Multiple Customers in a Market	• To Multiple Markets in a Customer
• From Smart Products	• To Genius Platforms

CUSTOMERING IN YOUR ENTERPRISE

That is the full promise that customering holds for your enterprise. But it all comes down to mindset. Are you going to abandon the old mindset of marketing and put on the new mindset of customering – interacting directly with individual customers to create customer-unique value within them? And then will you cast off these old practices of marketing and embrace these nine new practices of customering (figure 2.6)?

For competition ever intensifies, business gets tougher year after year, the possibility of new value creation continually expands, and what customers value changes constantly. It will not be enough to continue giving customers exactly what they want today. You will have to continually renew your capabilities and better individualize your offerings. Recognize how great the challenge is that lies before you, and do not hesitate to rise to that challenge, to ascend to the proposition that all customers are unique, and to uniquely value each and every one as the precious lifeblood of your business that they truly are.

NOTES

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4 Ibid, p. 44. Emphasis in original eliminated here.
5 Davis, op. cit, pp. 168–169.
6 "Definition of Marketing," American Management Association, available at: www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx.
7 Every enterprise of any size can embrace customering, even if they cannot create the scale for truly mass customizing and instead must craft customize.
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13 *The Ultimate LEGO Book*, London: Dorling Kindersley, 1999, p. 8. LEGO rounded down the actual number of 102,981,504.
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