The Customer Century

Lessons from World-Class Companies in Integrated Marketing and Communications

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For Anita, Camilla, and Carl Philip

PREFACE

The seeds of this book were planted when I entered the field of communications as a young writer for Scandinavia's largest communications agency, Kreab. The firm owes its success to a radical concept: helping clients integrate communications with customers, employees, investors, and other stakeholders. Realizing the value of this idea, I began a quest to seek out all the information available on the topic. To my surprise, hardly any literature, theory, or case studies could be found on how to effectively integrate communications. This prompted my mission to research the most successful practices of corporations in the United States and Europe.

The journey began almost a decade ago with my doctoral dissertation at the University of Wisconsin-Madison. During those early years of the 1990s, the marketing and communications professions were in the midst of transition. Advertising agencies, PR firms, and other communications specialists were transforming (at least in rhetoric) into "integrated marketing communications" agencies. Marketing was shifting focus from transactions to relationships. Meanwhile, business leaders were rediscovering market orientation, without the help of marketing or communications professionals. Inspired by the success of Japanese industry, engineers and statisticians were reengineering business processes around customers' needs. As I traveled around the United States and conducted in-depth interviews with senior marketing and communications managers of world-renowned, total quality management companies like Hewlett-Packard, Saturn, and Xerox, I made a startling discovery: Power was shifting to the consumer, and the management of communications processes was being elevated to strategic levels to help build customer relationships and drive business results. An integrated communications revolution was brewing.

When I joined the graduate Integrated Marketing Communications faculty at the University of Colorado, my focus became more international. I expanded my research to integrated communications practices among leading European corporations. In interviewing senior managers across the European continent at companies like Ericsson, ISS, and Philips, I learned that integrated communications was as urgent and important in Europe as in the United States. While challenges and issues varied greatly from company to company, some underlying processes of successful integrated communications emerged. I began to present the model that I developed at events ranging from in-house senior management meetings and graduate classes to professional and scholarly conferences. As the model evolved, it has withstood the scrutiny of professionals and academics around the world and sparked a wave of interest. With that interest came more and more consulting work. The pressures of my night job grew to the point where I decided to leave my day job at the university to start my own consulting and training business. As president of my Colorado-based firm, the Gronstedt Group, I have had the good fortune to work with a number of leading U.S.- and European-based companies, including Volvo Car Corporation, Emerson Electric, and Electrolux. Our consulting work and training programs with these and other companies have served as fertile testing grounds for the emerging philosophies of integrated communications expounded in this book.

Nine years into my search, I'm now happy to present a book that offers cutting-edge insights from some of the best managers and companies in the world on how to integrate communications for the new century. Packed with practical cases, examples, and advice, this book will be of great value to professionals in marketing, communications, and quality, as well as to scholars and students in these fields. I also hope it will find its way into the hands of senior-level executives who want to grow their businesses, defy the status quo, and make a genuine difference. This book is written for the business leaders, thought leaders, and marketing and communications practice leaders of the Customer Century. It is a manifesto of the integrated communications revolution!

ACKNOWLEDGMENTS

I have been helped more than I deserve by a large number of people who have made this book possible. First of all I want to acknowledge my vice president and chief sounding board, Lisa Siracuse, who has assisted with much of the research and writing of this book. Without her involvement, it would still be a jumble of disjointed case studies and academic gobbledygook. My debt to Lisa is profound. I also owe a huge gratitude to my colleague and friend Torbjörn Larsson, who has contributed extensive research and administrative support to this book. My former associate, Kristen Detrick, has also made substantial contributions in both research and writing. A person who has been instrumental in the development of this project is my business partner and mentor, Professor Clarke Caywood, director of Northwestern University's Department of Integrated Marketing Communications. He suggested the focus on leading total quality management firms, gave me access to his vast network of contacts, and provided guidance throughout the project.

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A number of other friends have read the manuscript during various stages of development and greatly improved it with their suggestions and criticism. They include Göran Thorstensson, president of Vindrosen and a longtime friend who helped restrain my zeal and make the book more balanced; Lars Göran Johansson, corporate communications director of home appliance giant Electrolux, who kept me focused on the issues facing today's global multibrand corporations; Professor Frank Durham, of the University of Texas, whose support meant more to me than he probably realizes; Professor Sandra Moriarty, University of Colorado, who helped develop the framework of the book; Professor Brett Robbs, who helped develop the teamwork section; and Professor Christian Grönroos, who helped me move beyond the integration of marketing and communications departments to the strategic relationship building processes of the corporation.

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Finally, I wish to thank the over eighty senior managers of the leading companies featured in this book that I have interviewed. They contributed generously of their time and insights and are in a real sense collaborators of this study. I especially want to thank the following people who helped set up my interviews at each company: Tom Martin, formerly public relations director at FedEx, now

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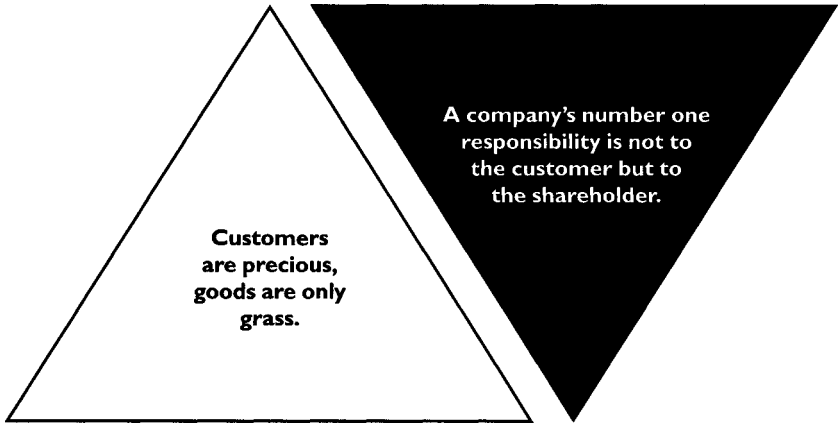
Most of all, I want to thank my loving wife and business partner, Anita, for putting up with my obsession with this project. I also want to acknowledge my daughter, Camilla, and son, Carl Philip, who have been immensely patient with me, although they cannot understand why anyone would write a book without pictures. This project has lasted their entire lifetimes and they have been looking forward to the completion of it as much as I have.

Superior, Colorado
Anders Gronstedt

Introduction

FROM BULLS TO GEESE



—Chinese proverb

—Albert J. Dunlap, former CEO of Sunbeam

Few examples illustrate the need for a new integrated approach to marketing and communications better than the sordid tale of Mercedes-Benz's A-Class, a new city car for the European market. The introduction of the new "Baby Benz" was the culmination of a two-year advertising and publicity blitz, pounding home the safety of the car. By cleverly placing the engine under the floor, it would slide underneath the body in the event of a frontal crash and the high seating position would put driver and passengers out of harm's way in a side impact. The carmaker justified the premium price tag for the car with these superior safety features.

The A-Class received standing ovations when it was unveiled with the splendor of a Hollywood premiere at the Frankfurt Motor Show. "A turning point in the industry," gushed the *Financial Times* with unconscious irony. The success ended just a few days later to

the tune of bent metal and shattered windshields when a group of Swedish auto journalists flipped over during a test drive of the car. Several of them were hurried to the hospital for minor injuries. The video and photos of the accident became ubiquitous on TV news and magazine covers throughout Europe. This was not the first time auto journalists had raised concerns about this particular safety problem with the car. One month before its world introduction, the A-Class went up on two wheels during a test drive with a team of European auto journalists. Two different cars with different tires were tested, but the problem remained. Mercedes, however, trivialized the problem and rolled forward with the launch.

To add insult to injury, Mercedes decided to throw the blame on the press corps and the injured journalists for staging what it deemed an extreme "moose test." Mercedes argued that the need to make such a sharp, evasive turn to avoid an obstacle in the road was isolated to Sweden, because of its large moose population. The automaker's director of sales for Sweden went a step further and sent a fax to all of its dealers, arguing that the test drive had no relevance to normal traffic conditions; "only Russian lumber trucks" had to be tested under such conditions.

Within days after the rollover accident, two of Germany's leading auto publications repeated the test drive. The test driver from one of the publications rolled over. The other stopped the test drive after the car began to tip on its side. Up to that point, Mercedes had benefited from its loyal German media, which rushed to the carmaker's defense during the first days of the crisis. But as evidence mounted against Mercedes, the German press corps turned adversarial. A barrage of negative publicity in German and international media gave the company a painful lesson in accountability and open communication. Mercedes called a press conference to apologize for its accusations against the journalists and proceeded to blame its tire supplier. Mercedes's managers claimed that replacing those pesky Goodyears with Michelins and adding a gadget called an "electronic stability control" would fix the problem. But most outside experts agreed that such superficial changes wouldn't make much difference. "It's like putting a Band-Aid on an abscess," commented one pundit. Mercedes promptly reprimanded these experts for having the audacity to point out that the emperor didn't have

any clothes. A Swedish professor specializing in the auto industry got a call from a Mercedes official who scolded him for claiming that more drastic changes would be required to make the car stable. "I have never experienced anything like that," exclaimed Professor Christer Karlsson.[1]

Treating journalists and experts like bumbling imbeciles did not prove to be a winning strategy for Mercedes. Its arrogant posturing quickly became the ridicule of Europe. The "moose test" was on everyone's lips. A German weatherman reported a low-pressure system heading toward Scandinavia to perform the moose test. A London *Sunday Times* columnist suggested that the new British cabinet should experience a moose test to see how well it would handle pressure. The once premier automotive brand became the butt of jokes in sitcoms and newspaper cartoons. A plethora of anti-Mercedes websites still flourishes on the Internet as a reminder of the incident. My personal favorite features an A-Class car with training wheels, and when you click on it, the whole webpage turns upside down![2] Meanwhile, the news media speculated that either Mercedes knowingly launched a car that would put people's lives at risk, or its product development was too sloppy and unprofessional to catch the mistake. Either way, the whole incident reflected badly on the carmaker. Pundits pointed out that a "moose" in the road could easily be a "child," and that the A-Class was the only car to fail the "child test" in twenty years except for the Czech-made Skoda.

It took several weeks for Daimler-Benz's CEO, Jürgen Schrempp, to wake up and publicly order the design engineers back to the drawing board. Several months later, Mercedes finally relaunched a redesigned, safer version of the A-Class. The original Swedish test driver who rolled over the car, Robert Collin, was the first journalist to test-drive the redesigned car. After driving the car, he agreed to make a statement endorsing it, which Mercedes told him would only be used in a press release. That promise was broken before the ink was dry. The German carmaker made certain they got the full mileage out of the inch provided by the journalist, making his endorsement the centerpiece of an advertising blitz in 180 German newspapers, television commercials, and video news releases sent to newsrooms around Europe. "I feel betrayed by Mercedes," says

Collin, whose repeated protests against using his name in the advertisements were ignored by the carmaker.

Mercedes paid a steep price for its failure to integrate communications. Customers who preordered the A-Class car were canceling by the thousands. The production of the car was delayed by three months, at a cost of $175 million. And that's not including the expense of the 180 full-page ads Mercedes ran after the reintroduction. Yet, these numbers fade in comparison to the seven-and-a-half-billion-dollar tumble of Daimler-Benz's market value, which took place in just three weeks. The relentlessly forward-looking stock market had no patience with a company that was squandering its brand relationships with disintegrated communications.

For almost a century, Mercedes-Benz had been one of the world's premier brands, with attributes of quality, safety, and prestige. Customers willingly paid a hefty price to get the three-pointed Mercedes star on the hood of their car. During the course of just a few months, the star fell. Mercedes cars were no longer perceived as the epitome of safety, and the Daimler-Benz Corporation was perceived as a bully. Customers and the media are unlikely to give Mercedes the benefit of the doubt next time it experiences a crisis. Precious relationship equity was lost and will take years to rebuild.

Just when you might have thought things couldn't get any worse, Mercedes added fuel to the fire by continuing to run the original advertisements about the unique safety features of the A-Class throughout the debacle. "The advertising will not change significantly. Daimler-Benz still has a wealth of information to offer A-Class customers, even without giant beasts from the north," announced Mercedes's marketing director, Jochen Pläcking, in mock despair. I won't even comment on that statement, except to paraphrase Ralph Waldo Emerson's remark: "What you *are* shouts so loud in my ears I cannot hear what you *say*." The "body language" of the brand clearly outshouted the advertising message. While the Mercedes brand was the laughingstock of the world, it was business as usual in the marketing department in Stuttgart. Management assumed that their customers would simply be seduced by the commercials and disregard all the news reports about the car and the company. As it turned out, all the king's ads and all the king's marketing men couldn't put this brand back together again.

Butting Heads in the Production Century

Now, why did a large professional company like Mercedes spend hundreds of millions of dollars marketing this wobbly little car based on its safety? Why didn't Mercedes put its money where its mouth was and actually make the car safe? And why did it risk the reputation of the Mercedes brand name by backing into a corner of sleaze and innuendo, denial and name-calling, smoke and mirrors, instead of immediately taking responsibility and correcting its mistakes? And why would professional marketers decide to dish out millions of deutsche marks, kronor, and pounds for advertising that reminded people of the A-Class fiasco?

The answer to these questions is that Mercedes-Benz, like most companies, is organized like a herd of fighting bulls, with departments and business units fighting against each other for limited budget resources and senior management's attention. Mercedes's Swedish advertising agency blamed its German client for not keeping them informed about what was happening. The corporate PR department blamed its Swedish managers for not being able to contain the story from the news media. The engineers blamed their tire supplier. And the marketing director blamed the moose. This type of rampant internal bickering, with disparate departments and opposing goals, has been the norm in the twentieth century, or the the "Production Century."

Production Century companies are organized to efficiently produce and distribute goods. They relegate customer management and brand building to marketing and communications departments and agencies that sequester themselves in separate offices, isolated both from each other and from their customers, churning out advertising and other communications material to an information-overloaded world. These Production Century marketing departments make a virtue of outspending and outshouting the competition. Run more ads. Maximize the number of impressions. Get more editorial "ink." Dump more coupons. They are frittering away billions of dollars a year in a marketing communications arms race, which has bestowed upon mankind the wonders of fifty packaging variations of Coke, fifty-five different permutations of Crest toothpaste, and four thousand advertising messages inundating the average consumer every day.[3]

Lacking a process of integration, most Production Century

companies are really collections of free-willed divisions and departments. Incidentally, the word "department" originates from the French word *departir*, which means "to separate." At best, the various departments that touch customers fail to take advantage of opportunities for synergy. At worst, they are hurting each other. Customers watch a commercial designed by an ad agency aspiring to win creative awards; they get calls from two different salespeople representing competing business units of the same company; they log onto a website designed by a techno-weaned nineteen-year-old at a Silicon Valley start-up company; they make purchases from a minimum-wage worker at an independently owned franchise; they call companies' 800 numbers and get a nasty response from a call center outsourced to a supplier in Omaha; they get a rude reminder of an overdue bill from a financial department in Dallas. Each department is congregating within its own functional silo, divided by vocabulary, culture, training, and mutual disrespect for one another.

Yet all these departments make an impact on customers. Every interaction and transaction sends a powerful message that enables customers to give meaning to the brand and the company. Something as seemingly benign as the tone of voice with which a person answers the phone helps build a negative or positive impression in the customer's mind. Every time customers receive new information, it is integrated with their prior perceptions. When different points of contact send contradicting messages, companies have ceased to control the way customers understand and make sense of them.

Flying High in the Customer Century

In contrast, the companies highlighted in this book reap the benefits of synergy by strategically managing and integrating customer contact points to reinforce a desired reputation. These world-class companies earn a return on their cooperative efforts that adds up to more than the sum of the parts. And they will take their continued successes into the twenty-first century, the "Customer Century." Rather than organizing communications like a herd of fighting bulls, the winners of the new century will organize themselves like geese flying in a V formation. Flying in formation allows geese to fly 71 percent farther than they could fly alone. They optimize the performance of the group as a whole instead of sub-

optimizing the performance of individuals. Geese actually take turns leading the group. When the lead goose gets tired, he or she flies back to the end and the next goose takes the lead, because they all know where they are going. How do the geese know where they are going? One theory is that they have a built-in compass. Scientists have measured iron-rich tissue in the brains of birds that they believe responds to the earth's magnetic field, guiding the geese on their migrations. What a model for organizations!

Much as magnetic north provides direction for geese, the magnetic force for today's world-class companies is the *customer*. Obvious though this may seem, it's a surprisingly counterintuitive idea for most managers and organizations. Caught in the revolving door of management philosophies, many managers have lost sight of the fact that customer relationships are the only thing that really generate business value. Even a large number of marketing managers have forgotten that lesson in their preoccupation with the "four Ps" that have defined the field of marketing since 1957. Instead of manipulating customers with price, product, promotion, and place, customers themselves are seizing control of these levers. *Price* is no longer determined by the selling party based on cost-plus, but by customers who can name their own prices based on value-minus.[4] *Products* are no longer made in batches and pushed on customers, but made to order by customers who can design everything from jeans to computers to fit their idiosyncratic butts or work habits. The *promotional* monologue of advertising at the seller's convenience is being replaced by dialogue at the customer's convenience. The market *place* is currently moving into the market *space* of the Internet, where the customer determines the place of order and delivery.

Customers around the globe are becoming increasingly more savvy, informed, demanding, cynical, price conscious, and empowered, with a relentless appetite for quality, service, customization, convenience, and speed. There's only one way to reach their hearts, minds, and wallets: through *communication*, which is the process that people engage in to share understanding and meaning. Communicating with individual customers across all contact points requires painstaking *integration*, which is commonly defined as the process of achieving a unity of effort in various organizational subsystems. Ergo, *integrated communications* is the stuff that

profitable relationships are built on in the Customer Century. As the card-carrying academic I once was, I'm behooved to provide my own definition of this term:

> Integrated communications is the strategic management process of facilitating a desired meaning of the company and its brands by creating unity of effort at every point of contact with key customers and stakeholders for the purpose of building profitable relationships with them.

Note that it's a "strategic management process" that must permeate through entire organizations, rather than a quick-fix crash program or campaign from the marketing or communications departments. It goes beyond customers, to involve other "stakeholders" as well, which includes every group or individual with a stake in the company's success. They include the opinion leaders who legitimize the company and its products; the government that might legislate against them; the media that critique them; the activist groups that might condemn them; the financial community that invests in the production of them; and the employees who spend a large portion of their lives at the company's desks. Every point of contact with important customers and stakeholders has to be strategically integrated to build profitable relationships. Customer and stakeholder relationships are the only source of truly sustainable competitive advantage in the Customer Century. Yet most companies don't have a process to manage and grow this asset. Integrated communications offers this process.

Don't mistake this definition of integrated communications for a warmed-up version of the cries in the early 1990s for "integrated marketing communications" (IMC), the catalyst for a myriad of conferences, articles, books, and classes. IMC has been an important step in the direction of integrated communications, but an insufficient one, motivated in large part by communications agencies' appetite for more business. The supply-driven fad of IMC represented a Production Century view of packaging and transmitting marketing communications messages that speak with one voice. The difference between the conventional version of IMC and the strategic approach to integrated communications described in this

book is the difference between chicken manure and chicken salad. Instead of a skin-deep integration of messages and creative execution, this book defines integrated communications as a process of dialogue, interaction, and learning, with the purpose of adding value and cultivating relationships with key customers and stakeholders.

Introducing the World-Class Companies

This book will tell the inspirational stories of how some of the world's leading companies are preparing to meet the challenges of the Customer Century with integrated communications. During the course of my research, I turned to leading total quality management (TQM) firms. The management philosophy of TQM fully integrates the entire business organization from the customer's point of view, providing value through ongoing dialogue between everyone in the company and their customers. The companies in this book use the TQM philosophy, tools, and methods of involving everyone from senior managers to factory workers in listening to the customer's needs, and improving processes to consistently satisfy and exceed customers' expectations. Most of the companies are now embracing these principles without the fanfare of the TQM acronym. While the TQM label has lost its luster, its principles lay a foundation for integrated communications. The trend set in motion by TQM is creating new forms of flexible, fluid, and boundaryless organizations, laying the groundwork for the integrated communications practices required in the postindustrial age.

This book is the fruit of a nine-year study of the role of communications at fourteen of America's and Europe's leading corporations. A panel of marketing, communications, and total quality management experts, professors, and senior managers assisted in selecting the companies that are successfully practicing total quality management and integrated communications. Five of the sampled companies are Baldrige Quality Award–winners, two are European Quality Award–winners, four have won British, Danish, Dutch, or Swedish national quality awards, and one has a unit that won the Deming Award. All of them are multinational, multibillion-dollar companies. None of them have arrived at perfect solutions. But they are addressing important questions, experimenting with new ideas, and forming new insights, which can help other businesses.