HOST: The Online Business Exchange was a two-day live event presented by the business school at the Open University. During the event, there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

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Hi, and welcome back to the Online Business Exchange. In this session, we are talking about customer driving or customer-driven marketing. And I'm joined by Julian Cooper. Julian, welcome back to the studio. Now you've been talking about a range of issues in both sales and marketing, and, of course, these are very intertwined and very interconnected. So can you tell us, then, what are some of the main issues? What is this idea about customer driving or customer-driven?

JULIAN: OK, yeah. Well, I thought for most of us, we work in organisations that have a particular approach. And it's worth looking at it from big picture first. So if you're taking a sales or marketing perspective, how your company operates, how it does its business, how it works with its customers is really, really important. And for many of us, we, perhaps, find that it's the often the case where people will say within the business, well, we're just doing stuff. We make products. We're really product-centric.

And what that generally means is, actually, we're not communicating or talking with our customers. So that's something that troubled a lot of people in business, whether you're in a technical business or in a product or service business. You can get much too inward-looking. You can end up believing your own hype. And that's affected an awful lot of us and how we actually manage to drive our revenues and become and build sustainable services.

We spend so much time inward-looking and developing, we fail to see what's happening outside. So we use the term customer driving, where really the organisation is pushing ahead, developing products, putting them out into the market, full of confidence they're going to work. And, perhaps, the product manager, the designers are confident. They're skilled people. They've been doing their job for a long time. They know what the customers want.

But actually, you can end up taking your own view, and it's so valuable actually to put that out at an early stage and get an alternative view. So customer driving is quite- is something that

happens. Some businesses can do it, and some are brilliant at it. But for most of us, we really, I guess, use the term customer-driven. We're listening to our customers all the time. We're trying to understand what they're saying, what they mean. Can we actually develop on the back of the things that they really want? And being responsive to how they change.

So you can look at it as a sort of spectrum. On one side, you've got some very big organisations, perhaps, putting out some really fine and spectacular products. And on the other side, you've got that listening to customers and, perhaps, incrementally changing what you do bit by bit, week by week in response to feedback. So there's a kind of- you try and understand where you sit within your business in that model.

And if you do, it gives you a better chance to get your sales strategy right to understand what you need as part of that strategy, and then to work with your marketing people and your designer people to actually achieve what you can, either in that particular mode, or, perhaps, think about changing that a little bit.

HOST: So two very different perspectives. One is basically being very innovative and saying, you never know you needed this. We're driving the market. The customers are responding. And one saying, we've listened to some of this. So again, you've said this could depend on the sector that you're involved with. It could depend on the products that you're looking at.

But also, you said that there is a continuum, and I'm wondering whether within all businesses, there is a point at which we pin ourselves in that continuum. Is it a case that there is one definitive point for each company, or does it depend on the products and services? Are there some organisations that may be very customer-driven, but also be trying to innovate in smaller areas? And to what extent does that make business sense when we're looking at the picture holistically?

JULIAN: Yeah. That's a great point, and it's actually one of the tricks that I've used in some workshops I've run, and you get people to start off and say, where do you think you are on that spectrum? And it is quite interesting, and quite often where they think they are when you actually do some analysis, it's far from the truth.

HOST: So how does that work then? How do people pinpoint where they are? What are the factors that would make you decide the extent to which you were customer-driven or customer driving?

JULIAN: You know, I think, perhaps, most of us have a sense of we like to feel, we like to think that we're doing stuff right, and, therefore, perhaps we are a bit more customer driving. But actually, we like to think also that we listen to our customers. It's not always the truth, or it's not always the whole truth. So I think you used the word innovation just now, and I think that's really critical to the discussion, because today in today's digital economy and the technology that we're using and the advances in that technology, there's so much opportunity to innovate, and we see some huge examples, where companies have taken that approach from day one.

And, of course, Apple is perhaps the prime example. And if you see their approach, they've got some great designers and developers, some of the best in the world. But they pretty much go into a closed shop in the development mode. You can't get much out of them in terms of what's coming along.

And actually, occasionally, you get a little tease, or somebody sees a tweet that allegedly is part of a very early design for a new phone or something. But really, their approaches to do the best they can, they believe passionately that they know what a customer is going to want, and there's a bit here about anticipation as well.

HOST: Well, you get these rumours, don't you sometimes, about certain products that may or may not be being developed? Do you think they do that on purpose?

JULIAN: I think in many cases, they do. I mean there's a way of actually getting people excited, teasing them almost to say, look this is coming. And we as humans automatically want to know a bit more. And if you don't show everything, then yes, you want to know a bit more. You're going to stay interested, and pick that up.

HOST: So to what extent are companies almost shaping? Say they're developing a product. They don't want to let loose what that product is, but there might be a need to create this customer demand out there. So they might say, wouldn't it be great if we had XYZ? Wouldn't be wonderful if you could tap into your phone from your arm? All of these ideas that could be sort of shaped in terms of behaviour that we might want to engage with, whilst they're developing a product- to what extent are people creating that market then before the products are actually sent to us?

JULIAN: Yes, that's right. Well, I think depending on the product, service that the industry, if you look at, certainly, from a developer perspective, the guys and girls who are developers really know quite intimately the sort of things that are working now, the sort of things that are interesting

people. And so if you like, there's a bed of knowledge, and you can build on that.

But you also have to, then, take that out and to listen. And even companies like Apple- we say, well they're customer-driven, so they're customer driving. But actually, those people in Apple are working with customers, potential customers all the time.

So they're actually building that bed of knowledge, if you like. But that's not how most of us can do it. So there are ways and means to actually get closer to your customers, and I think for most businesses, you really have to work very hard at that. And even those companies like Apple have failures.

And if you look at some of those, it makes you think that, perhaps, well, yeah, you're very clever. But sometimes even you take your eye off the ball. So we can think about the Apple Glass, and I don't know if you remember when that came out- a pair of glasses, which would give you some information.

HOST: Oh, yes, I do.

JULIAN: They look pretty nerdy.

HOST: Isn't it funny how quickly we forget about some of these failures?

JULIAN: Yeah. We had a pair purchased when it launched for our business, and we looked at them, evaluated them. Yeah, most people were too embarrassed to walk around with them on. So, perhaps, the behaviour element hadn't been properly assessed. But they were big enough to pull them out. They withdrew after, I think, maybe a year, year and a half and learned from it. And if you are an innovative organisation, you have to be prepared to fail as well. They're big enough to fail.

HOST: You raised such a good point before, which relates to this, which, as you say, people want to listen to their customers. But do they always listen to them? To what extent are some organisations hearing what people are really saying? When we ask people when we have these surveys, and we've talked throughout this whole online business exchange about the various touch points that companies can have with getting feedback from consumers, both behaviorally and in terms of what they say that they want, but are they really listening? Are we asking some of those right questions, and how do we then gain that insight to actually get something sensible that we can use out of it?

JULIAN: Yeah, that's right. And I think if you're in a sales team, and part of your job is clearly to be close to customers, if you're a good salesperson, you'll have your own techniques. And I think those techniques still work in many cases. But increasingly, you have to actually, as a business, take on board all of those touch points, and from the top, you have to build a culture and an attitude. When you do actually take that on board, you involve customers wherever you can, and you work to sort of build a consensus.

And I think quite often, organisations will set up forums, and maybe those forums are chaired by somebody within their customer group. You go along to those forums, but those forums are run by that group. They'll raise matters that are really important to them, and if you actually are a listening company, and it's a listening business, you will take on board that feedback. You can't always adapt and build from it, not always. But actually, if you're seeing to be involved, then that's a really valuable sign to your customers that you are listening. And you have to demonstrate that.

So there are lots of ways to demonstrate that- online now, in different forums, and actually at events, where you attend, and you listen to what customers have to say. And you need to work at that, and as a sales person, you need to be involved in that and be part of that.

HOST: But thinking specifically about a digital economy, because you've mentioned the various ways of either doing things online, engaging in forums, or talking to people. What are some of the areas that companies could use in the terms of the digital economy that could create an advantage?

JULIAN: OK, I think what it's all about is looking at what you're doing now as a business, looking at what's not working so well. But also from a competitor perspective, you need to look at your competitors, and you need to look at those business models, and are they working? And there are two to three ways you can look at this in terms of how you actually make something and develop new ideas and innovate using digital. One of those is if you like to look at stuff that isn't working, so look at old models.

And if we take an example there, we could use an organisation like Uber. So that's basically a new idea in terms of actually phoning or emailing and grabbing a taxi pretty much online. So the old idea of working with, perhaps, the London taxis, where you just put your hand up and wait for something to stop, and it's got a yellow light on- that business model is really being challenged. And really what Uber did was look at what people want to do now.

Yes, you can still put your hand up, but actually, you can put your hand to your mobile, and you can very quickly grab something.

HOST: But is it being challenged, or is it just offering an alternative that customers within this digital economy end up being so much more demanding? Some customers will want to nab. Some customers would only ever think ordering a taxi with their mobile phone. Others wouldn't dream of it, and so surely this whole idea of market segmentation, offering things that will appeal to different customers is really creating these niches that people are building on.

JULIAN: That's right. Yes. Uber will have done their market segmentation, I'm sure, very carefully. They'll recognise the sort of customers, the demographics of those customers who'll want to use that service, and they'll target their marketing very much towards that. And for London taxis, perhaps, there's a challenge to them. How do they get over that? What about their business model? Does it change to match? Does it try something totally different?

And it's quite fascinating to see some of the values that drove those older businesses are just suddenly no longer relevant in today's market. So for example, think about the London cabbies' knowledge. They maybe would spend up to two years learning pretty much every street in London, routes, and then they were tested on it.

All of a sudden, because everybody's got their maps on GPS, hang on. That's no longer very relevant. So the bits of that business that was probably of most value is suddenly redundant, and that's one of the things that disrupts and threatens businesses. And none of us are immune to that.

So I think that's the bit about keeping your eye on the markets, keeping your eye on technology and innovation, and having part of your business that's constantly looking at that. Have a little bit of your business that's in the R&D area, that's doing a bit of blue sky stuff, but is also actually looking at what your business is doing now, and how you can change, perhaps, incrementally using some of the new digital tools.

HOST: So then that's our point before when we were looking at this continuum, and we were thinking about where people might be. Would your argument be, then, that you might be somewhere, but that you should have an eye somewhere else also, that part of the business should always be looking at being more customer driving and trying to be innovative within this digital economy? Is that something that you would say?

JULIAN: I think that my basic premise is that generally speaking, we can't take our eyes off our customers. You may be very lucky and be able to have a massively skilled set of people, who can develop something totally original and new. In the end, if you don't know you want it, then you don't know you want it. So sometimes it works.

HOST: This relates to the taxis, doesn't it? Because if someone were to say, I want to get there the cheapest route, so I'd like a human instead of a satnav to get me there. I appreciate that the taxi driver knows the best way. But then all of a sudden, you look at congestion, and you think, you can't possibly know that all of a sudden there's been a crash, whereas my satnav can have that GPS tracking and can do that.

So people will then start making those choices within that digital economy, and those values will shift. But people may not necessarily know that they want or need it at that time, and so like you say, those values can be taken away very quickly. But also, getting insight from customers, they don't always know what they want. So where is that balance then?

JULIAN: I think the balance is constantly shifting, and I think increasingly, customers are coming on board and wanting to be in more of a product, of a service. They want to be more involved. They have a lot more power now than they've ever had before. Think about how you interact with various services. Think about how you react maybe with TripAdvisor. There's a great example. They are listening to their customers, but they've also got their customers becoming part of their business. The customer is both supplier and customer.

So the model you have can change. So if you're thinking about innovation and change, think about innovation and change within your business model. And if you bring this back to a sales perspective, for example, then you need to be working with other parts of your business. You need to be thinking about those things, and actually, you need to be feeding it information that you get from customers when you talk to them online, when you talk them at an event, or whatever. And still within a sales environment, you are generally the people who are closest to those customers.

HOST: But tell me this, though, because one thing I do know about working with feedback and surveys is that people say things, and they don't always mean them. We can ask people, do you value ethical goods? Yes, I do. Are they selling them more than unethically sourced goods, for example? No, they're not. So we know that what people say versus what they do can be very, very different. So to what extent is there this balance then between getting insight

from this feedback that you're talking about and the behaviour that you're also talking about?

JULIAN: Yeah. That's a very good point, and with a lot of market research, first of all, if you don't pose your questions in an appropriate way, you can very easily get feedback that actually guides you in the wrong direction. Like you say, if you ask people what they may do, they may tell you the truth. They may tell you what they want themselves to do.

But actually, you're quite a long way off. I think a few years ago when Tesco went into the US, and they opened up a massive chain out there, it was a huge enterprise. Their research indicated that it was going to work, but pretty much like you say, they were asking the what-if questions. They really weren't going on actual behaviours.

What digital insight gives us now through things like Google Analytics is the ability to ask those questions, and then actually to monitor how people work, how people interact in services they are using. And that gives you much more information about what people have actually done, perhaps, as against what they say they may do.

So you take those insights from actual activity, either stuff you've done or others can provide you, and then you can be a little bit more certain and have a little bit more strength in the metrics that it's worth actually moving in that direction.

HOST: But this would be the case if you had a large marketing department, if you had a lot of analytics, and if you had the capacity to track people. What, then, about the smaller businesses? Because for them, customer feedback- I mean they're probably, perhaps, closer to their customers than some of these larger organisations. So they've got different ways of getting insight and different ways of talking to people. How might, then, this translate to those smaller or medium-sized enterprises?

JULIAN: Yes, and I understand that. It's quite a tricky solution. There is no absolute solution. But there are ways you can focus, and I'd still say that for smaller businesses, you really need to work with your potential customers, your actual customers as closely as possible. An example I can recall is working with a small startup software company, and it was a wonderful piece of software they were developing. But the two guys, main developers, were so sure that it was going to work, they were not prepared to put that out into the marketplace in any way, shape, or form unless they had a sale from day one.

I pleaded with them. I tried everything I could to say, look, OK, let's just offer this to some

potential customers, some organisations you're quite close- try this, and see what you think. Because in the end, if you don't get that sort of feedback in the early stage, then you're highly unlikely to actually start. You don't necessarily generally start by making a sale or something like that. You start by trying a little bit, offering something in a beta mode, perhaps first, so people can try to use it, and then learning from that. And then you build your revenue with a full version, perhaps.

HOST: So it's about pacing yourself and learning very, I guess, in slow, small, quantifiable stages so that you aren't making those big leaps, and then you aren't sure about the cause and effect of it.

JULIAN: We all came to start earning revenue when we have a startup. It's wonderful to get your first revenues coming in, but there's a way to get there. And if you have a service type business, then do some work, and do some work for other organisations. Spend a few days, a couple of weeks. Offer your services. And that's maybe if you're in a marketing consultancy, for instance. Actually work with some of the target market customers. Offer to do some things for them.

HOST: But something very conceptual- I mean 50% of our audience watching are in smaller micro businesses. So when you don't have tangible assets, when you aren't sure quite what you can offer, and you're starting with something, people are very vocal when they tell you what they don't want. But how might enterprises like that then start finding out what people do want theoretically as well as practically?

JULIAN: Yeah. I guess many think most things come from a great idea, and that's the start of most things. Then you build on that idea, and generally, it takes one to two people with passion, with some knowledge, and you literally work up from there. In terms of smaller businesses generally, and you're a working business, it's really important just to keep your eye on the ball and to tap into all the social media, not just your industry forums, but to use social media.

Watch social media, and also in a growing business, you'll get people commenting in their own social media way. But you'll also get forums developing for products and services as you become bigger. And you have to watch those quite carefully, and some of those may just jump up, and they may actually start from a negative, perhaps some really bad service. So you can't afford not to take care your eye off your online media.

I think if you'd stay close to that, if you work with that from a sales and a marketing

perspective, then that's your best chance of really building a user base.

HOST: So that digital economy is very valuable then to those small businesses, because it's so immediate.

JULIAN: Yeah, I mean building a base of people who are aware of you, not necessarily actual customers, but eventually, sooner or later, more and more of those will come on board. Virtual word of mouth is great. If you can build that, it's really valuable.

HOST: So let's think some of the lessons that we can take from today's champions and how they've built new revenue streams and spotted some of these aspects and being, I guess, very customer driving in their approaches. Amazon is something we've spoken extensively about, and I don't know whether it is like our pinnacle of good business in terms of the way that they're being so fluid and shaping things, but what can you tell us about the way that someone like Amazon has employed a very customer driving based business?

JULIAN: OK. Well, I think, as we were saying, Amazon are very focused on what they do. They had somebody who completely believed in what he was trying to do, and they set their whole business up to actually build on that. And they set their marketing up as well to work from that approach. So if you're confident in what you're building, what you're developing, and what you're launching, then you can build your marketing campaign on the back of that.

And it's really all around a marketing and sales campaign that's built on that launch. It's work yourself up to the point when it opens, and it's there for a select few, probably to start with. You're pricing this pitch at a particular level, but it's a holistic marketing campaign. Everything's built around that launch. It's big. It's flashy, and you've got a select audience for the launch. So the company works in that sort of way.

Now if you're actually not taking that approach, you may well be thinking about actually slowly putting something out into the market, trying it and seeing. So you use what's called a soft launch approach. Perhaps try it with one or two customers. You don't launch a big marketing campaign. You, perhaps, have maybe four or five customers just initially on a product or service to try it out. And then you gradually build from there. You get endorsements from those people you're working with.

HOST: I mean Amazon, though- they did it right. But it did take them 20 years before they started making a profit, and sometimes I think we forget that, that some things have built slowly and

maybe not quite as slowly as you're implying, and I appreciate that might be for some of the audience here who are in those SMEs. But nonetheless, there is this extent to which we can see success, and it's very easy to retrospectively consider that that has always been the case.

JULIAN: That's right. And if we look at- let's just stay with Amazon for a moment. But what they're good at is innovation, but also what they've been good at is actually thinking about what they're doing and what their customers are saying, the feedback they're getting from their customers and perhaps from different perspectives.

So one of the things that Amazon learned quite a few years ago now was that because they were setting up an online digital service- remember, originally it was Amazon books, and then Kindle came along. But as part of that infrastructure they built, they had to learn a lot about how to use that infrastructure and how to build the technology and ramp it up to take bigger and bigger volumes. And as they did that, they realised that there was potentially another revenue stream for them.

So they began to try opening up their own services, their own infrastructure. And so the service they were using, there was lots of space, because they maybe booked two- and it was like, OK. So we can offer this as a service. And so today if you're looking to put your services online, and you're looking to store your information, where would you go to? You may go to Amazon Web Services. It's one of the most popular services that there is. And that all really came from innovative thinking, using ideas, and trying something new. And that happens with many organisations.

Another, if you like, more chunky example is General Electric, known as GE now and famous, perhaps, for making things like jet engines. Yeah. They use digital technology in lots and lots of ways from a scientific perspective, obviously. But actually, they learned in a similar way that what their own customers want was not just necessarily the big jet itself, the big piece of product.

They also needed to monitor how those products were working, and because GE were doing that monitoring, they were actually putting sensors on. They were able to then offer that as a service to their customers. So they were offering- they went from product to service orientation.

HOST: Yeah. Julian Cooper, that's all we've got time for, but thank you so much. It's very interesting the way that you talk about some of these aspects in terms of theoretical ideas about driving

or being driven, and also how much we can learn from some of these big organisations. It presents quite a challenge to some of those small and medium enterprises, who are thinking about learning from some of those things, and hopefully, the various aspects that we've spoken about within this online business exchange, about supply chain management, about finance, and, of course, about insights into customer bases will help drive and shape ideas for people at home, who may be enjoying these videos.

Thank you, Julian. That's all we've got time for today. We'll be back in half an hour to discuss finance in a digital economy in another video, but please do chat in the meantime. And that will be with John Quarlo and Will Bumbly. I'll see you very soon.

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