



Paul Hoffert, a leading technology guru, appeared on Tech Books, a new television series on TechTV, hosted by Carolyn Weaver. Here's some of what he had to say about his book and how business is being transformed by "The New Client".

Conversation with CAROLYN WEAVER

It's all about the Client

Q "The New Client" is a term that you coined to describe today's customers. How has technology changed the customer's position in the traditional company/customer relationship?

A Information IS power. Digital networks like the Internet have given customers more information and hence more power than ever before. Today, customers demand more input into and control over their interactions and transactions with companies. It doesn't matter if the company is old-economy like mining or new economy like multimedia. The pendulum has swung towards customers.

Q I thought the emotive factors (or EMOs) that you referenced were a fast and simple way for a company to review the service they provide to their clients. It can help companies focus on their strengths and look to mitigate inherent weaknesses, which are perhaps no more than a legacy structure, which was developed based on the Industrial model. Explain using EMOs how the television industry compares to the Internet industry whose users consume an average of 4 hours less television per week than those not connected to the Internet at home?

A Truisms abound in the marketing world to support the importance of 'Emotive' factors - EMOs. Clients research with their brain but buy with their hearts. Get someone's heart pumping and you trigger a transaction. Psychologists have figured out what those triggers are, things like making clients feel good, giving them choices (control over decision making), making them feel secure (will your organization be around in a few years?),

and doing good (for the planet, for communities, for sustainable development, etc.).

The television and music industries have been particularly weak in the area of EMOs over the past decade. They should know better, since the value of their products is based almost entirely on emotional responses. Their business practices, such as negative optioning preventing users from accessing television programs, movies, and music on the Internet, convey the message to viewers and listeners that these companies have no interest in making their customers feel good, and that they are only interested in increasing their profits. Unfortunately, for these industries, the two are linked.

Online, the user-client is king. Most of the control and options are presented to the user. People like to have power. That's why they've been switching their attention from television to the web. The cannibalization is almost 1 for 1. For each additional hour online, the user watches an hour less of television.

Q The upside for society, as you point out, is that regular people have not only an unprecedented access to information (Canadian Census) but the power to focus and filter that information through tools like search engines (an IT triumph). An individual can now send a complaint directly and immediately to a company CEO or elected government official turning an elected official into a servant of the people. I wonder though, has history not also shown us that the wisest positions are not always those held by the populous – do we run the

risk of both overwhelming our public and private sector workers with too many individual complaints or encouraging them to make decisions based on the latest public opinion polls?

A There are two sides to every coin and client-empowerment is no exception. Like democracy itself, client-empowerment only works well when clients are well informed, reasonable, and responsible. Like democracy, this won't happen all the time. Despite the shortcomings of democratic societies, such as their inefficiencies (why waste time and energy consulting with pesky citizens?), those of us who are fortunate enough to live in them believe that, on balance, we're much better off. Same holds true for the client-empowerment.

Q When I worked at IBM the first thing you learned was that your gravest offense would be to not manage a customer (internal or external) complaint that landed in your lap. You were taught to own the problem and not just pass it on but to follow up to see that the problem was resolved. IBM, thanks to Lou Gerstner in the USA, understood that if one of your divisions was pitching a client a new product or service at the very same time that that client was not getting resolution on a problem with another IBM division you would enrage the client and make them easy picking for your competitors. He restructured the company to ensure that each client had lead contacts that oversaw the macro relationship because at the end of the day the client saw IBM as one company and didn't care if internal divisions in a sense operated as different companies. How has the empowerment of the Internet forced the government and the health care system to consider this type of thinking?

A The government and health care systems now pay lip service to citizen and patient empowerment respectively. But the sad reality is that health care systems still focus primarily on hospitals, doctors, and nurses - SUPPLIERS instead of clients. Many governments are improving in this regard more rapidly than people realize. Today, there's usually 3 to 5 times more government communication with citizens than pre-Internet and the cost per communication is much lower.

Still, organizational cultures take a long time to change (typically 5 years). That's after decisions are taken to fundamentally alter the organizations.

The biggest hurdle in any organization today is that, although it may promote client satisfaction, workers still get promoted and keep their jobs by satisfying their

immediate bosses. If bonuses were paid based on client satisfaction, organizational cultures would change more rapidly and profits would increase as a result.

Q You contrast the Ford Model T and the new Mercedes Benz to illustrate how far we have come in the last century. Henry Ford said that everyone could have their Model T in any colour he or she wanted as long as it is black. Mercedes has just introduced a completely customized car that is built to order and delivered in four weeks - no list prices and infinite numbers of options with which to load your personal car - if you can afford the \$50,000 down payment and the start price of \$500,000. Has the democratization and new empowerment of the people, that the Internet has ushered in, also created a greater divide between those at the upper end of the economic ladder and those at the bottom? How many North American companies can truly carry the added costs of the labour intensive customization in a global economy where workforce wages vary so dramatically?

A Many of the Internet demographic gaps have all but vanished. There are equal numbers of men and women online now in North America. Most of the wealth-based bias has also disappeared, with a third of Internet users now earning less than \$30,000 annually. There is still a wide gap for the under-educated and under-employed, which is unfortunate because these are the very groups for whom online access to job training, education, government programs, and employment are most valuable.

The cost of implementing mass customization in a given company or industry can no longer be an impediment to implementation because clients have come to expect and demand it. So, if company X is offering customization to global clients from Malaysia, say, a company in Canada or the U.S. must find a way to compete with that customized product, even if its labour costs are higher. Sometimes a technological solution can be found to offset labour costs but, increasingly, it's necessary to modify the entire business model, finding tangential revenue sources to meet the client's product and price expectations. For example, online bookseller Amazon frequently sells books below its cost price, adding revenue from website advertising, linked referrals, and customer list sales to break even or make a profit. **UV**

Paul Hoffer is a leading new media visionary. He is research professor at Sheridan College and former executive director of Intercom Ontario, the world's first wired and completely interactive community