

The Social Venture Network Series

marketing that matters

10 practices to profit your
business and change the world

Chip Conley
Eric Friedenwald-Fishman



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10 PRACTICES TO
PROFIT YOUR BUSINESS
AND SAVE THE WORLD

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Contents

Letter from the Editor of the Social Venture Network Series	ix
Acknowledgments	xv
Introduction: Why Marketing Matters	1
1 Don't Fear Marketing	13
Practice 1: Use Marketing as a Core Business Strategy	
2 Know Yourself	27
Practice 2: Build Upon Your Mission	
3 What's Your Definition of Success?	41
Practice 3: Define Your Goals	
4 Know Your Audience	59
Practice 4: Be Aggressively Customer Centered	
5 Question Conventional Wisdom	77
Practice 5: Don't Limit Your Market	
6 What's Driving the Customer Decision?	93
Practice 6: Communicate Value and Values	
7 Emotion Trumps Data	111
Practice 7: Connect with the Heart First, Mind Second	
8 Build a Community	129
Practice 8: Empower People as Messengers	
9 Walk the Talk	147
Practice 9: Be Authentic & Transparent	
10 Use Your Platform to Change the World	165
Practice 10: Leverage Marketing for Social Impact	

Epilogue	181
Notes	185
Index	195
About Social Venture Network	169
About the Authors	171

Know your audience

PRACTICE 4: BE AGGRESSIVELY CUSTOMER CENTERED

Today we live in a hypercompetitive world, where standing out requires focus, a unique selling proposition, and a strong commitment to core values. Practice 4 is about being exceptionally focused. Businesses that tend to create sustainable success are aggressively customer centered, focusing on building long-term relationships with their customers.

In the book *Ben & Jerry's Double-Dip*, the trailblazing ice cream visionaries put it this way: “Selling your product is an essential part of any business. It’s a means to an end, a way of accomplishing an objective. For a conventional business, the objective is maximizing short-term profitability. For a values-led business, the objective is to build long-term relationships with customers—so we can work together for the greater common social good and make money as well. Building long-term relationships helps both parts of the bottom line. Loyal customer relationships help us to be effective in the community and help us sell our product.”¹

Long-term relationships with customers require you to know your customers, maybe even better than they know themselves.

Take Gabe Luna-Ostaseski who started MoonDance Painting, the San Francisco Bay Area's first nontoxic, low-odor painting contractor. When Gabe decided to create this business, he knew in his gut lots of customers would prefer an environmentally sensitive painting contractor. Yet very few of these customers would actively search for a company like his because they simply didn't know it existed.

Gabe understood that his company's success was predicated on making sure the eco-friendly customer knew that MoonDance existed. Unfortunately, as with many new businesses, he had only a tiny marketing budget.

Gabe resourcefully contacted the local Whole Foods Market community relations representative and suggested that the store sponsor a "Green Home Series" in which a green designer, builder, landscaper, and painter would come in and make presentations on how people can "green" their homes. The net result was that Gabe was able to connect with the perfect niche of customers who would seek his services—and he did this without spending more than one hundred dollars on marketing.²

Noted business author Ron Zemke says the magic in knowing your audience is picking the right customers. He says, "Small businesses don't do a very good job of segmenting. If you've been serving everybody and not thinking about who your core customers are, you're going to be in trouble when business changes."³ Many companies spend too much time romancing marginal customers at the expense of lavishing more attention on their high-value customers.

This chapter will focus on how you create a deeper relationship with your core customer base. How did Apple or Harley-Davidson create a cult of fiercely loyal customers? Were they just great marketers? No. The reality is they understood the underlying psychology of their customer base, created a product that

thrilled the customer, and then developed a brand message that created big word of mouth.

Let's do a quick study of the Hierarchy of Needs theory developed by legendary psychologist, Abraham Maslow.⁴ We've found this to be a foundational tool for helping us understand our customers. Maslow's defining work in the mid-twentieth century was focused on how human beings aspire to become self-actualized.

Whereas earlier psychologists had primarily studied human neuroses, Maslow focused on fully functioning people to try and understand what motivated them. He created his seminal Hierarchy, which premised that people had foundational needs that had to be met (physiological needs like sleep, water, and food). But as these needs were met, people sought higher needs—all the way up to the peak experience of self-actualization.⁵

Maslow's pyramid can actually be applied to any business as well as to any customer. Chip has used this pyramid to help understand what a customer is looking for in a hotel experience.

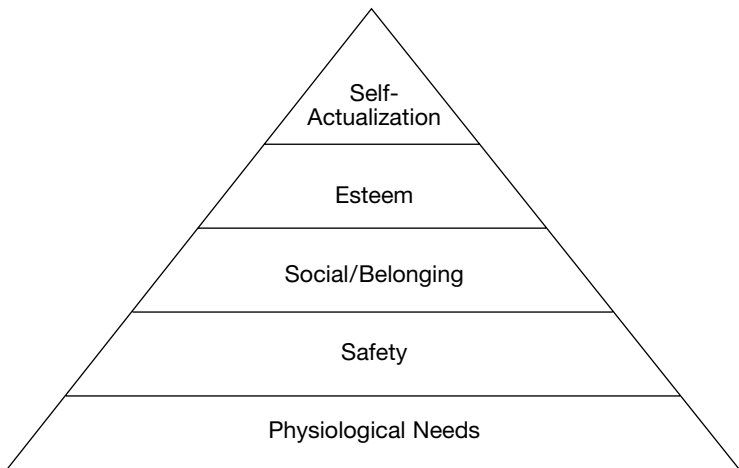


FIGURE 4.1 **Maslow's Hierarchy of Needs**

At the base of the hotel hierarchy pyramid is a comfortable and clean bed and bathroom. Moving up the pyramid, a quiet room that feels safe and protected is important. The social needs might be addressed by the quality of service the hotel staff provides, and the esteem needs could relate to whether the customer feels treated like a VIP or whether there's any cachet associated with the reputation of the hotel.

Chip believes that the self-actualizing hotel creates a lifelong memory for guests, such that guests feel nurtured, important, and celebrated for who they are as individuals. He calls this identity refreshment, which will be addressed later in this chapter under Core Applications. Suffice it to say, you can use this pyramid as a model to better understand what it is your customer is looking for when buying your product or service.

All companies could benefit from asking how their customers might prioritize their own hierarchy of needs. Gabe Luna-Ostaseski may believe that the base need of his customers is a painting contractor who is reliable, affordable, and provides

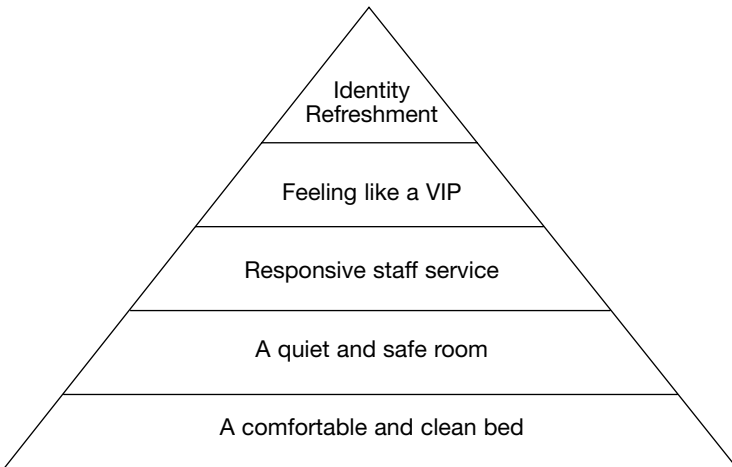


FIGURE 4.2 **Hotel Hierarchy of Needs**

a paint job that lasts a long time. And their self-actualizing needs may also be met when they feel good about being eco-friendly. Or Gabe may know that some of his customers' base need is for a low-odor paint because of respiratory illness or chemical sensitivities.

In most cases, if you don't satisfy your customers' base needs, it doesn't matter if you get to their self-actualizing needs. But true loyalty—and a long-term relationship—is built at the top of the pyramid. Apple's customers may love its technology (the base need), but the cultish following is fed by the “be different” branding at the top of Apple's hierarchy pyramid. This is what makes Apple devotees feel like they are not only a smart rebel of sorts, but, more importantly, as if they belong to a community.

As Douglas Atkin, author of *The Culting of Brands*, posits, “The community that surrounds Apple is typical of contemporary neighborhoods. No longer dependent on geographic proximity, they tend to be defined by a state of mind, or collective conviction Apple brand members (and they definitely see themselves as ‘members,’ not just buyers) would define themselves by their different attitude to life they have gravitated to a community of people that think more alike, and less like the rest of the world.” He goes on to say something rather Maslovian: “The marketing industry has been blind to a need that is so essential it is second only to the compulsion for food and shelter: the desire to belong. To overlook this basic need is to overlook a clear major source of business.”⁶

Take a few minutes and imagine a hierarchy of needs for your customer. Create a pyramid and engage a collection of your colleagues in a discussion of your customers' priorities and needs. You might consider sitting down with one of your loyal customers, show him Maslow's pyramid, and then have him create one that describes his own needs as your customer.

Once you've entered into the mind of your customer, it's time to listen to what's coming out of his mouth. Word of mouth has long been acknowledged as the most effective form of marketing in virtually every industry. Yet today, "word of mouse" is what savvy businesspeople are focused on. Word of mouse is how your company is portrayed in consumer-generated media (CGM) on the Internet. Unlike word of mouth, which tends to be local in nature and can dissipate quickly, word of mouse can circle the globe overnight, last forever on Web sites (leaving a digital trail), and is often found like a signpost along the "highway" that your customer travels when searching the Internet for your product or service.

Pete Blackshaw, chief marketing and client satisfaction officer for Intelliseek (a company that measures and analyzes online "buzz" and word-of-mouth behavior), estimates that over 1.5 billion CGM comments are archived on the Web today, and this is growing by 30 percent annually.⁷ The most likely forms of CGM include

- Blogs—First-person narratives that may be about numerous topics but can show up in a search on your company since they index fastest on search engines.
- Message boards and forums—Typically industry- or interest-focused.
- Review or rating sites—Sites like Epinions, TripAdvisor, and Amazon
- Clubs or groups—These may be user groups that are specific to your product or company, but they are more likely to be related to your industry.
- Direct company feedback—Research shows that nearly 70 percent of consumers who give your company direct feedback (whether online or by calling your headquarters or consumer line) are active across other CGM channels.

- Third-party Web sites—Sites like Complaints.com or My3cents.com.

Whether it's from mouth or mouse, the essential learning here is that you need to create “listening posts” where you can stay close to your customers to understand how they're feeling about you. Gone are the days when you can just rely on traditional consumer surveys that are filled out after your customer has purchased your product or service. Companies that are aggressively customer-centered set up systems that monitor all of the digital and nondigital ways your customer gives feedback to you and the world.

Companies are well served by also considering those Web sites that speak directly to the socially responsible customer, such as Co-op America's National Green Pages, whose database recommends healthy products of all kinds, or 1% for the Planet, an alliance of businesses—started by Patagonia's founder—committed to leveraging their resources to create a healthier planet by donating 1 percent of sales.

Core Applications

Here are four key tools you can use to help your company be more customer-centered:

1. Create an organizing principle for understanding your customer.
2. Engage your customer in creating the product.
3. Understand how your customer feels about the experience.
4. Tap into your listening posts and foster word of mouse.

Create an Organizing Principle for Understanding Your Customer

Maslow's pyramid is one way for you to try to more deeply understand the psychology of your core customer. Joie de Vivre

Hospitality, has developed an organizing principle that has helped it create more than thirty extremely unique boutique hotels.

When Chip started the company twenty years ago, he surmised that boutique hotels were sort of like magazines—a niche-oriented, lifestyle-driven product that matched the personality of its core customers. Chip made the decision that each of his hotels would be based upon the personality of a magazine and five adjectives that described the magazine. By using that distinct magazine personality, Chip and his development and design team could articulate a clear vision of how this personality could relate to the guest room design, the type of staff they hired, the unique services and amenities that would be offered, and even the kind of community philanthropy the hotel might pursue.

While this organizing principle helped create an efficient and effective process of creating a compelling product, the real magic was in the identity refreshment it created for its core customer (if you'll recall, identity refreshment was at the top of the hotel pyramid earlier in the chapter). Chip came to realize that customers who fell in love with the hotel viewed it as a kind of aspirational mirror for themselves—the five words used to describe the magazine and the hotel could also apply to those customers, at least on a good day.

For example, Joie de Vivre's first hotel, the Phoenix, is a rock and roll hotel in a transitional neighborhood and was designed with *Rolling Stone* magazine in mind, using the words *funky*, *cool*, *young-at-heart*, *adventurous*, and *irreverent*. Of course, most of the Phoenix's guests are young, tattooed musicians from around the world who fit this personality. But there have been many others—like the legendary Dr. Timothy Leary—all raving fans of the Phoenix (who may not fit the demographic of the hotel but certainly fit the personality of those five words).

By staying at the Phoenix, these guests feel funkier, coller, and more irreverent. Identity refreshment means that this core customer will pay a premium for the experience.

Joie de Vivre has found this magazine approach to be so successful that the company created a cartoon character for its Web site. Yvette, the hotel matchmaker, delivers a five-question personality test to prospective guests. Once a guest has taken the one-minute test, Yvette offers (1) the Joie de Vivre hotels that best fit this guest's personality, (2) profiles of two locals who are similar to this guest along with descriptions of their perfect day at their place of choice, and (3) six unique activities in the area that fit this guest's personality. This mass customization tool creates an emotional link between the company and the prospective guest—so much so that Joie de Vivre books more than twice as many web-based hotel reservations (as a percentage of total revenue) than its competitors.

American marketing has historically been based upon customer demographics—what we look like on the outside. But in the past few years, psychographics—what we look like on the inside—have become a far better means of capturing the hearts and minds of customers. Demographics tend to be more tangible and are focused primarily on age, race, or income. Psychographics focus on the more intangible—passions, beliefs, or values. Demographics are often defined by how the world sees us while psychographics are defined more by how we see ourselves.

Demographics are less meaningful today because we don't fit into the somewhat stereotypical boxes we did in the 1950s. Just because a female consumer is forty-two years old and lives in suburban Chicago doesn't necessarily mean she's a housewife with three kids. Finding a way to connect with your customers on a psychographic level is a responsible way of moving beyond the stereotypes that are usually endemic to demographic marketing.

Engage with Your Customers in Creating the Product

Most companies create their products in a vacuum, trying to imagine what their customers would appreciate. Wild Planet Toys is one of those smart companies that realizes it will probably meet the needs of its customers better if they are include in the creative process.

Wild Planet is dedicated to developing nonviolent, innovative toys that appeal to both parents and kids. It has experienced nearly a 50 percent compounded annual growth rate for the past few years, not only because of its popular products but also because of its unique approach to being close to its customers. Wild Planet tries to create toys that parents will value and kids will find cool. How does an adult toy creator know what's cool to a kid? Let the kid create the toy.

Danny Grossman, Wild Planet's founder and CEO, came up with the idea for the Kid Inventor Challenge when the company was doing philanthropic work at a low-income housing project. His intention was to teach kids about toy design and involve them in the process as a way of giving back to the community. What surprised Danny was how inventive the kids could be. Nine-year-old Shahid Minapara was shown a glove toy and asked what else he could wear on his hands. Shahid imagined having a light on each finger and then drew a quick design for the Wild Planet team. The design team immediately recognized that it was feasible to produce and had that extra spark of innovation and uniqueness that Wild Planet demands from its toys. Thus, the Kid Inventor Challenge was born.

Today, there are nearly six thousand entries annually, and approximately one hundred winners who join the Kid Inventor Team as toy consultants to the company for one year. As consultants, these kids receive secret sneak peaks at new products and get to keep all of the toys Wild Planet sends them through-

out the year. Five kids have even had their ideas made into real toys—receiving royalties from Wild Planet for the life of the products. The company has also created a Toy Opinion Panel as another way for their customers to provide feedback before a new product is launched.

The Kid Inventor Challenge is Wild Planet’s way of championing kids—especially those in disadvantaged neighborhoods. It provides children with a positive learning experience, exposes them to a work environment in an engaging way, and makes them feel important. At the same time, Wild Planet creates a relatively inexpensive and unique means of enhancing its research and development efforts. This approach to staying close to the customer also inspires the Wild Planet employees since it’s a constant reminder of why there’s real meaning in what they do for a living.⁸

Understand How Your Customer Feels about the Experience

When Eric Ryan started his company, Method, he was interested in designing household products that were not just effective for cleaning but also aesthetically pleasing—so much so that his customers would prefer to keep Method products on the counter as opposed to below the sink. Eric, whose background was branding and marketing, wanted to turn this low-interest consumer category (cleaning products) into something cool. No one had tapped into the “enjoyable” potential of everyday chores, so Eric hired designers to create sexy packaging for dishwashing detergent and liquid hand soap.

As Eric dove further into product development with his partner Adam Lowry, a chemical engineering graduate from Stanford, he came to realize that it would be hard to ask his customers to put their pretty Method bottles on the counter—next to food and within a child’s reach—when these products could be full of poison. The realization that his soon-to-be competitors

produced cleaning products full of nasty chemicals led Eric to his own socially responsible conversion. He quickly turned into a more conscious entrepreneur, committed to producing Method products that would be attractive to the eye and nose while also being eco-friendly and safe.

Once Eric and his team launched Method in 2001, it became clear to him that he needed to create a means of playing up the cool factor of his brand while also engaging his core customers to see how they felt about the product. Traditional product development might have suggested that he hire cultural anthropologists to observe how his products were being used in the home. And traditional marketing might have suggested billboard advertising near grocery stores. Far from a traditionalist, Eric came up with another solution in concert with Ammo Marketing, his outside marketing agency.

Eric and Ammo erected a temporary “pop-up shop” for Method in a vacant storefront in the Union Square shopping area of San Francisco. This unique store concept became a living lab where ambassadors from the company (who weren’t primarily focused on sales) could educate customers about the dual benefits of Method’s modern design and safe ingredients. They created smelling stations where customers could suggest their favorite scents for products. Word-of-mouth and free editorial print media about this odd little shop spread fast and eventually the likes of Robin Williams were dropping in. Conversion rates on customers were 80 percent, and the average purchase was twenty dollars—pretty good for a shop exclusively focused on basic household cleaning products. Furthermore, Method hosted targeted influencer events, including a Thursday happy hour for business professionals and catered parties for specific target groups like *Dwell* magazine subscribers, Volvo drivers, local philanthropists, and the corporate staff of Design Within Reach.

The shop was scheduled to be open for just two months, but by mid-fall it was clear this guerrilla marketing initiative was a success, so the shop remained open through the Christmas holidays. For approximately the same price as a traditional billboard, the pop-up shop created a brand shrine for this new company. The customer could touch and feel its unique home products, and the Method team could evaluate customers' reactions to the various lines of products. This was clearly better than the typical focus group behind a one-way mirror/window.

While this is a good example of how to connect intimately with your customers, it also shows how companies can lead by example. Eric Ryan didn't originally enter this business to be socially responsible, but in his research of the industry and in his early product development phase, he quickly realized he could make his product more eco-friendly and still serve the customer base he was seeking. In Method's case, its success has influenced its more established competition to start "cleaning up" household cleaning products such that the whole product category is becoming more environmentally sensitive.⁹

Tap into Your Listening Posts and Foster Word of Mouse

Ray Anderson is a captain of industry who also experienced a conversion. As founder and CEO of Interface, Inc., one of the largest carpet manufacturers in the world (with twenty-six factories on four continents), Ray's company is in one of the most environmentally unsustainable industries in the world.

But in the mid-1990s, Ray made a decision that would change the course of his company. On discovering Paul Hawken's revolutionary *The Ecology of Commerce* he has said, "I read it, and it changed my life . . . it was an epiphany. I wasn't halfway through it before the vision I sought became clear, along with a powerful sense of urgency to do something."¹⁰ Ray decided

Interface would become “the first fully sustainable industrial enterprise, anywhere.”¹¹ The company would no longer use virgin nylon yard to stitch its fabrics, its offices and factories would create renewable power sources, and it would have a goal of no waste by reclaiming its own products and using them as raw materials for new textiles. You can read Ray’s remarkable story in his book, *Mid-Course Correction*.

In the midst of this environmental revolution in the company, Ray and his management team also decided they needed to get closer to their suppliers and customers. Interface worked with its suppliers by insisting the products it bought be recyclable and nontoxic. And the company started sending this new message to its customers by helping them think differently about carpeting—to imagine the idea of renting rather than buying carpeting or to imagine the idea of carpeting in squares as opposed to full sheets of carpet (this had been done in the commercial sector for years but had never been available to the general retail market).

Interface’s FLOR product sprang out of this staying close to the customer. Similar to Method, the impetus behind FLOR was initially aesthetic: to give customers the ability to be a little more creative with their choice of carpet. Since FLOR is a modular carpet tile system, it allows consumers to customize a pattern for the home or office. From a sustainability perspective, FLOR tiles use a lighter adhesive and allow customers to replace one square at a time. The customer sends the square back and FLOR recycles it. People no longer have to replace an entire room of carpet because of one stain that won’t go away. So sustainability can mean affordability.

While Ray’s revolution might not be televised, it certainly found an appropriate home on the Web. The Web was the perfect medium for Interface to get its sustainable message out far and wide. More specifically, the Interface management team

could use its Web site as a listening post for its new FLOR product. Go to the company's Web site and you'll see an inspiring blend of marketing the product and messaging the sustainable mission. On the site, the company has taken a sophisticated approach to engaging customers in education and dialogue about FLOR. Whether it's a discussion with a designer about how to use the product, customer designs and testimonials, or specifics on the socially responsible elements of its product, Interface has effectively reinvented the consumer carpet category. And with the "FLOR boards" blog, it has instituted a sort of democratization of design—with everyone from professional designers to DIY weekend warriors evangelizing about the "fun" of carpet installation and design.

Chip DeGrace, vice president of Marketing for Interface-FLOR, says, "The FLOR boards community has developed a new design vocabulary . . . the site helps us to not only take the pulse of our customer, but fosters ideas that are instrumental in new product development."¹²

— NEW SEASONS MARKET —

KNOW YOUR AUDIENCE

New Seasons Market sees engagement with its customers as an ongoing dialogue that creates strong relationships. The owners of New Seasons looked at what they had learned from customers over years in the grocery and natural foods industries. Two key lessons were that customers wanted shopping to be easy and fun and that customers want to be treated as individuals. As we discussed in chapter 1, New Seasons had designed the mix of its product offerings based upon understanding its customers' needs for natural foods and conventional products. New Seasons also used its knowledge of its customers to design the shopping experience. New Seasons asked, "What are the things that *don't* make shopping fun and

easy?" What it came up with was a list of the many little annoyances typical to grocery shopping that stood in the way. From this list of the most typical shoppers' complaints—and requests—New Seasons created a set of policies that it calls the fine print. New Seasons made a pledge to its customers, posted it in every store and printed it on every grocery bag and on its Web site. The pledge states:

"Open the Next Register" Policy

More than 2 people in line?

We'll open another check stand right away.

"Staffing" Policy

We hire people who really mean it when they say, "Have a nice day." We treat them as well as we want them to treat you.

"Helping You Find it" Policy

We'll escort you to the spot

(unless you just want directions).

"Product Returns" Policy

If it's not exactly what you want, or if you don't like it for any reason, bring it back for a no hassle return. We'll replace it or refund your money with a smile. We promise.

"Eating in the Store" Policy

Go for it. Please pay for it on the way out.

"Discount" Policy

Enjoy a senior discount every Wednesday—

10 percent off almost everything for those 65 or better.

"You Break It" Policy

If you break it . . . don't worry. Accidents happen.

“Problems” Policy

We have, find and make solutions.

Visit the Solutions Counter at the front of the store.

“Special Request” Policy

“Yes.”

“Squeaky Wheel” Policy

Our shopping carts will be oiled and maintained so they don’t drag, squeak, or otherwise annoy you.

New Seasons walks the talk of the fine print every day. It also has established listening posts to continually learn about and be responsive to its customers. The Solutions Counter (mentioned above in the Problems Policy) is located at the front of every store and is staffed by someone whose main job is to answer customer questions, solve problems, and otherwise listen to customers. New Seasons provides suggestion cards, responds directly to the customer who submitted the suggestion, and posts the cards in the store with New Seasons’s answer or solution written right on them. Often, suggestions from customers result in immediate action. A customer card expressed that the many labels on eggs (cage-free, ova-free, grain-fed, etc.) are confusing. New Seasons developed a glossary that explains each term and posted it on the egg case in every store. The bulletin board at the front of each store is full of cards from customers and solutions from New Seasons. “There are no layers between us and the customer,” explains Brian Rohter. “People are blown away when we respond, and we learn a lot by reading and listening to what customers are saying.¹³ By listening to, learning from, and visibly acting upon customers’ suggestions, New Seasons Market meets shoppers’ needs and desires, build a relationship

of trust, and lives up to its promise of being a place where it's easy and fun to shop.¹⁴

Know Your Audience

To be truly customer centered is to place your customers' needs and desires at the top of your business goals (your own hierarchy of needs pyramid). If you meet these goals, you will find yourself well on your way to building the lasting relationships that can transform a run-of-the-mill venture into a successful—and socially responsible—business.

Now we're going to ask you to step outside of your comfort zone and question conventional wisdom while you expand your customer base and your vision for your business.