

Marketing Solutions

columnist

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Scaling the Enterprise: What Went Wrong?

Recently in this space we noted that in banking, small seems to be trumping large. When it comes to growing revenue and attracting key segments, small banks are out-competing large.

Banking is not alone in seeing this phenomenon. The vast movie malls were expected to dominate the theater scene, yet two of the biggest chains face serious financial difficulty. Shopping malls themselves are struggling with their largeness. Increasingly, size, despite its apparent advantages, seems to carry a market penalty.

Scalability has been a leading business theme for years. Scale and dominance were expected to be fast companions. And in the early stages over the past few years, big looked good: more selection, better technology and more information. But something happened on the way toward big.

It looks like in the rush to scale for size, companies *de-scaled* for organic revenue growth. Why? What went wrong?

Looking back, the key seems to be in how scale has been defined. Scalability meant, "Can you grow your business fast?" But that often came out as, "Can you make it simpler, more efficient, more one-size-fits-all?" The problem is, much of the best revenue—the kind that customers begrudge the least—is found in the crevices of difference, in customer uniqueness. The best revenue comes from the slight but telling tweaks in the company's value proposition that make it "just right" for each targeted segment.

So when we most needed to be scaling to reveal the differences, we scaled to obscure them.

When companies go for rapid growth, what do they typically do? They automate, seeking to minimize differences instead of surfacing them. They press for consistency—for ways to make processes repeatable despite dissimilarities. They narrow the options to make production and delivery faster, cheaper and simpler.

When customers show up, what they are looking for usually falls into one of three categories at any given time:

- Sometimes they want to self-serve. That is, they want to conduct their own transactions in a fast, accurate and efficient way.
- Sometimes they want to learn or explore. That is, they want access to information.
- Sometimes they want some version of relationship—an interaction in which they are "known" and can get their very own needs met.

For the first two categories, scaling for size has been effective. If what you want is a transaction or information, a simple, efficient, one-size-fits-all interaction largely serves the purpose.

But perhaps success in the first two categories overshadowed the third. To the degree that scale helps deliver stellar service in the first two categories, the third was easier to overlook or deny. It led companies to believe that they could succeed without getting good at the third. The third category remains the great, unmet need.

The results are troublesome, and the evidence, if not precisely measured, is everywhere. Virtually every major business magazine has run at least one cover on the order of "Why Is Customer Service So Bad?"

So despite the gains in the first two categories, it turns out that what matters most to customers is the third category. And, as evidence increasingly indicates, the third category also contains the greatest revenue potential. What the voters at the revenue polls seem to be saying is that when you scale for size, when you focus on efficiency and consistency at the expense of customer differences—then revenue gets siphoned off.

Scale still matters. Possibly it matters more than ever. But for the revenue-starved enterprise, scalability must be redefined. Scaling for revenue means finding simple, efficient ways to mine what is *unique* about customers—not what is the same. Scaling for revenue means finding the latent revenue potential that lies directly under that third category of the unmet need. ■

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