

## *I n t r o d u c t i o n*

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# Let your customer management be inspired by Darwin

Never has it been tougher for a company to adapt and survive in a fast-evolving world driven by customers:

- ◆ A world of acceleration where traditional business cycles (R&D, production, marketing, distribution, sales, post-sales) have been fundamentally reshaped. While it used to take two years to progress an idea through to a saleable product, it now takes two weeks, and even less in some industries.
- ◆ A world of shifting power where consumers – not companies – now initiate, decide and manage the relationship.
- ◆ A world of scarcity where the rare resource is no longer productive capacity. Instead it's all about intangible qualities like “trust”, which is slow to win and easy to lose.
- ◆ An “on-demand” world where consumers look to access experience rather than simply to “own” things. Think of film, music and videogames consumption as examples.

Natural selection has never been as fast as in today's world driven by consumers. Large, long-term, established companies – the dinosaurs? – are disappearing in weeks, while the biggest business success stories are established in a snap. Ever more demanding consumers are looking for variety, forcing companies to originate and launch as many products as possible in an endless innovation process. Some succeed, but many fail.

The combination of the business crisis, new consumer psychology and behaviors, and technology supremacy creates a tipping point. It is a new evolutionary step that companies must negotiate to survive.

## “Darwinism in a consumer-driven world”

In the 19th century Darwin introduced a radical new perspective on evolution, ecosystems, animals, humans and culture. Today, can companies refresh their thinking on customer management in order to understand what has changed in this era driven by consumers?

In this book we take inspiration from nature and from Charles Darwin’s theory of evolution. Building on his ideas, we describe some of the ways that successful organizations are seeking a new relationship with their customers. Just as Darwin saw the deep relationship between a species and its environment, we see the special relationship between companies and customers as the key influencers of a company’s environment. The changes in this environment are fundamental. As patterns of consumption change, competition between companies plays out differently and new models of competitive advantage must be constructed.

### *Evolution is more subtle than just winning by brute force*

*“In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed.”*

Charles Darwin

It is important to understand that Darwin’s theory of evolution was often misunderstood by his contemporaries (see the panel on “A skeptic’s take”). Too often it was interpreted as being simply about competition – survival of the fittest, of the strongest, of the most aggressive and powerful.

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### **A skeptic’s take on the public misunderstanding of Darwin**

**By Michael Shermer**

On July 2, 1866, Alfred Russel Wallace, the co-discoverer of natural selection, wrote to Charles Darwin to lament how he had been “so repeatedly struck by the utter inability of numbers of intelligent persons to see clearly or at all, the self acting & necessary effects of Nat Selection, that I am led to conclude that the term itself & your mode of illustrating it, however clear & beautiful to many of us are yet not the best adapted to impress it on the general naturalist public.” The source of the misunderstanding, Wallace continued, was the name itself, in that it implies “the constant watching of an intelligent ‘chooser’ like man’s selection to which you so often compare it,” and that “thought and direction are essential to the

action of ‘Natural Selection.’” Wallace suggested redacting the term and adopting Herbert Spencer’s phrase “survival of the fittest.”

Unfortunately, that is what happened, and it led to two myths about evolution that persist today: that there is a prescient directionality to evolution and that survival depends entirely on cutthroat competitive fitness.

Contrary to the first myth, natural selection is a description of a process, not a force.

Darwinism, properly understood, gives us a dual disposition of selfishness and selflessness, competitiveness and cooperativeness.

Source: Scientific American, 19 January 2009  
(<http://www.scientificamerican.com/article.cfm?id=darwin-misunderstood>).

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Darwin demonstrated how collaboration between different species – big and small, strong and weak – can be a decisive advantage for survival. Using this perspective, companies have to rethink their interactions with their consumers and also with their partners and competitors. Today, Darwin’s vision on collaboration is inspiring the leveraging of business opportunities like co-creation, open innovation and crowdfunding.

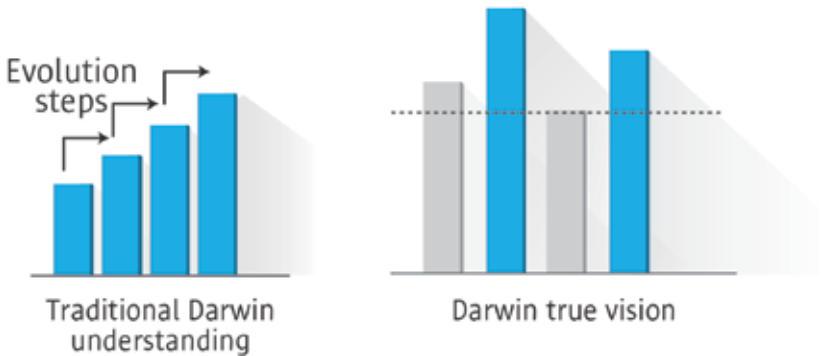
### *Evolution is not just a question of dinosaurs disappearing*

Another misunderstanding concerns the process of evolution. People used to interpret Darwin’s vision as a big-step-by-big-step evolution, each species being replaced by a stronger one. The reality is more subtle and complex (see Figure 1.1) because, during the same period of time, different species coexist, some being more successful than others.

In business term, focusing only on best-selling products or high street consumers is not necessarily a guarantee of success. In a consumer-driven world it is possible to create specific products for small group of consumers with a good margin (such as via co-creation, 3D printing and digital distribution). Traditional return on investment (ROI) methods may boil down to over-focusing on the “biggest” rather than considering coexistence or niche initiatives that will boost consumer satisfaction and revenue.

So the success formula involves the ability to launch multiple initiatives and to trust the environment for natural selection. It is a deep change of approach to customer management. At a company level this vision does not mean that traditional firms unable to take the evolutionary step will disappear overnight. But the latest economics studies show that in a consumer-driven era the gap between winning and losing companies widens, setting the stage

# NATURAL SELECTION



**Figure I.1** Understanding Darwin's process of evolution

for a two-speed business world. Coexistence of more or less successful species is a biological fact. The right question is, “Where do you want to see your company?”

## The paradox of the consumer-driven world

Succeeding in this consumer-driven world means being able to manage a paradox: never before have companies had access to so much individual data about their current and potential customers, and never before have companies had so many touch points with consumers – from traditional channels to internet of things and body sensors – but never before also have companies been so “lost in translation” and at risk in terms of customer management.

These data cover a huge variety of types, including where customers have been, what they have been doing in the physical environment, their communications, online social networking activities, transactions, internet searches, travel histories, their health activity, food and drink consumption, media content searched for, viewed and paid for, etc. – the list goes on. There are big questions about how to analyze the right data, how to identify the smallest but most significant signals, how to manage personalization and privacy, and escape trials for unexpected fraudulent use of data?

Alongside the overwhelming quantity of consumer data available, there is the issue of how consumers change their consumption behaviors and expectations in terms of relationships with companies. Companies now have to understand a new species of consumer – we call them the “hybrid” consumer – both human and digital, always on and looking for context-rich experience.

Based on our latest studies and projects, we will describe what has changed in this consumer-driven world.

## Adaptability is the key

When facing these challenges, obvious questions include:

- ◆ What key characteristics should companies have in order to evolve?
- ◆ How can companies unleash the potential of their digital customers? What is the difference that will make the difference?
- ◆ How can companies move from being “bulldog” defenders of digital, to the right balance between digital opportunities and company core models?
- ◆ How can companies become “digital by nature” firms without losing their culture and core differentiators?

Inspired by Darwin and his non-competitive features of evolution (variation, heredity and symbiosis) and by leveraging BearingPoint and West Monroe Partners worldwide research and projects (encompassing sociologists’, anthropologists’ and biologists’ studies), we have identified four key nature-inspired models that take a new look at managing customer relationships:

1. **Develop symbiosis** to unleash your customers’ potential. The way in which nature has provided for collaborations between species suggests new ways of identifying business opportunities between consumers, a company and the environment.
2. **Enhance migration** capabilities to explore new habitats. The way in which the search for new habitats is embedded in some species’ lifecycles suggests how businesses could hunt down new opportunities enabled by technology disruptions.
3. **Supercharge your instinct** and identify usually unpredictable risks and opportunities. Leveraging analytical tools for big data and root causes supersedes traditional statistical methods.
4. **Leverage natural selection**, which if properly understood and used at an internal and external level, helps us question some current business priorities and innovation processes in customer management.

This book is a practical guide compiled by our practitioners. We explore the boundaries of this new consumer-driven world and the powerful impacts of these four nature-inspired models, selecting the most relevant examples of transformation projects and identifying key takeaways for each.

Like Darwin navigating new frontiers in his ship, *The Beagle*, and learning from nature to identify new models, we hope you will enjoy placing yourself in a biologist's shoes in order to refresh your thinking on customer management and get the best of this consumer-driven world.

*"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."*

Charles Darwin