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Living the brand

Make your organization's values come alive with each and every customer

By Robert Angel

In today's fiercely competitive business environment, no company can afford to hide behind vague-sounding customer retention strategies. They must get to know all their customers as individuals.

Two previous *CAMagazine* articles examined aspects of client relationship strategies. The first ("What the customer wants," December 1999) looked at advances in database technology that enable organizations to measure customer value one transaction at a time. The second ("Relationship Results," January-February 2002) made the case that client relationship technology investment plans must be justified by a properly quantified business case.

Here I will focus on a third aspect: investment in customer-focused technology should be backed up by brand values - everyday consistent actions that maintain credibility with your customers.

Knowing the values equation

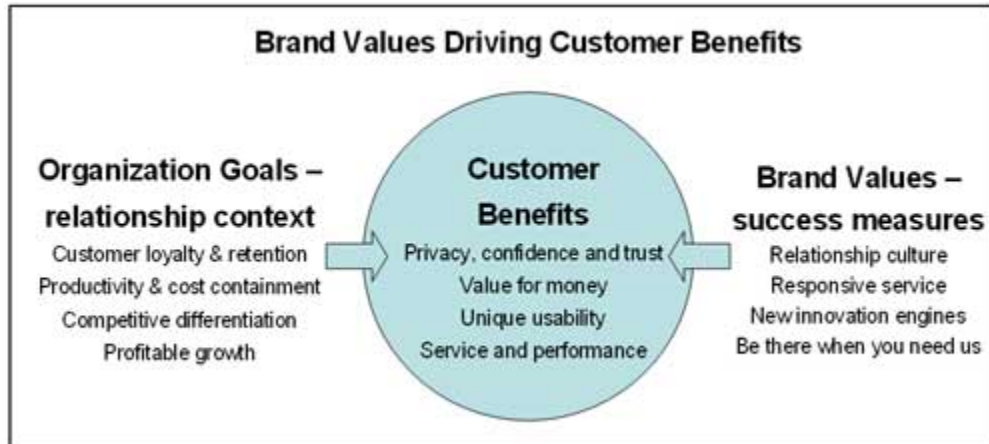
Corporate values, the qualities that give an organization its character and direction, are back in the spotlight, post-Enron and post-dot-com boom. Values are no longer dismissed as a way to incur costs without gaining much financial benefit. Instead, they are now considered essential to sustaining financial worth. Neglecting values destroys financial value, and can even drive the organization out of existence.

Accountability to stakeholders, responsible corporate governance, meaningful financial reporting, ethical day-to-day management: these are all examples of values featured in a spate of recent magazine articles. Less attention has been paid to brand values – making sure your organization's credibility is sustained by your *daily customer-facing* activities so that you consistently reinforce the way your organization is seen.

Successful customer-focused values are externally focused. They are primarily about the *customer* – not about you (the organization).

This means keeping a constant watch on the benefits your customers derive from you – for example, *trust, value, usability and service*.

More traditional product-focused organizations tend to have an internal orientation, and find it difficult to adjust to an externally oriented culture. The telltale signs of an internally focused organization are many - including mounting customer complaints, high customer churn and diminishing shares of customers' wallets. These warning signs are usually accompanied by increasing customer service costs.



Put like this, it is quite easy to see an external focus may be preferable; however, getting there is far from simple.

Knowing your customer

Living customer-focused values every day means being constantly aware of your individual customers' daily interactions with your organization. Companies that do this well are celebrated in the marketplace.

Among the best, Southwest Airlines has a corporate culture built around very visible values of personalized friendliness and service that have made it one of the most popular airlines to travel. Millions of Amazon customers see the personalized service brand promise in every Amazon shopping experience. Amazon has become the standard by which online merchandisers are judged.

The most progressive local phone companies analyse customer phone calls and proactively advise on the best plan for an individual customer. Several banks are monitoring significant transactions for clues to their best customers' changing needs. Fidelity's emphasis on relevant responses to client mutual fund enquiries has resulted in significantly improved customer satisfaction rates.

It takes a lot of time and expense to build up brand values in the eyes of the customer, yet a few words or actions can undo years of effort. Acumen Research's Consumer Eyes 2002™ study points out how fragile loyalty can be. "Almost all customers view the bank where they have their chequing/savings accounts to be their primary financial services institution. Most were satisfied with the service they received from their primary bank (except for service fees), yet well over half had *active accounts with other financial service providers*....you really cannot be certain of a customer's true loyalty unless you take into account your share of total spending ... only 15 percent of customers who were highly loyal said they would "never shop the competition."

Direct-marketing firm Grizzard Performance Group states in a recent report that blanket customer-retention strategies designed to improve loyalty among all customers fail to grasp the key component of a good customer-based strategy.

One-to-one-marketing pioneer Peppers & Rogers is an exponent of cultivating "most valuable" and "most growable" customers – those who will have the largest impact on a company's bottom line. "Many businesses don't understand that their retention program should center around the experiences and preferences of their most profitable customer segments, not the entire

database," W. Michael King, group VP of Grizzard, is quoted as saying.

This is where a technology-driven granular approach (i.e., one transaction at a time) can help. Responding to selected customers' activities on a daily basis (or even in real time, as some early adopters are starting to do) helps foster not only a close relationship, but one that is profitable for both parties.

Knowing the value of values

Formal and structured financial measurement is crucial. However, some of the most powerful customer-related feedback comes from anecdotes.

Telling stories of customer interactions not only illuminates the real-life results being experienced by customers; it also provides a strong rationale for what is becoming known as "evidence management." It provides a working model to help guide the organization's culture as it changes to a truly customer-focused organization.

Knowing how you are doing

Once you are executing your customer strategies, how do you know you are getting satisfactory results? Corporate Performance Management – a term coined by research house Gartner Group - is one way. CPM is about results measurement; it measures factors such as customer lifetime value and individual relationship cost/benefits, not just traditional indicators such as sales and revenue.

It is easy to run into results measurement head winds. For example, one service company's existing technology could not yield enough detailed information to analyse selected individual customers' interactions every day. A communication company's staff sought shelter in the comfort zone of monthly or even quarterly aggregate measurements, without adding selective daily customer pulse-taking. In both cases, a promising customer-focused transformation was slowed before it had fully developed.

Measuring customer results can set off intense discussions around measurement data, overlapping organizational responsibilities, validity of proposed changes to measurement practices, and more. It can divert management into fruitless internal discussions about how to interpret results, rather than how to look after customers and ensure ongoing business health.

Successful organizations are strong enough to be undeterred by such obstacles. They measure factors such as customer lifetime value, channel effectiveness and individual relationship cost/benefits – not just traditional product-based indicators such as sales, revenue, margins, runoffs and write-offs. They look for what Frederick Reichheld, author of *The Loyalty Effect and Loyalty Rules!* (Harvard Business School Press), calls "customer moments of truth."

Measuring loyalty, retention, differentiation and growth right down at the level of the individual customer can require considerable computing power. It could well spur a round of customer-related technology investment in the next few years. The task will be to reorient legacy transaction systems and customer databases to provide detailed daily information, and relate individual customer contacts back to authenticated financial metrics to forge an integrated view between finance, marketing and operations. This will most likely be aligned with a *balanced scorecard approach*.

The balanced scorecard approach is already being used by more than half of the world's top 2000 companies, according to recent Gartner Group research. "Precious little has been done to improve competitiveness in the area of customer experience," said Ron Sloan in a recent CRMA white paper. "The use of the term 'loyalty' in CRM has fallen into disrepute as we now realize that even apparently satisfied customers will still switch products and services for the right value

proposition at the right time. The CRM Performance Scorecard ensures that you are managing cost reduction and revenue-building processes at the same time so that you don't cost-reduce to the point of alienating profitable customers."

The dimensions on balanced scorecards should vary according to your organization's strategic direction - for instance, a technology-driven company would put more emphasis on innovation than on processes. The following example of critical measurements in a values-based, megacustomer service organization, is adapted from Bob Willard's recent book *The Sustainability Advantage* (New Society Publishers).

Balanced scorecard methodology
Customers and external stakeholders <ul style="list-style-type: none">· <i>Benefit \$ and ROI</i>· <i>Accuracy, timeliness, quality service</i>
Internal business processes <ul style="list-style-type: none">· <i>Ease-of-use feedback, processing performance vs. window, and feedback process</i>
Learning, innovation, growth and people <ul style="list-style-type: none">· <i>Employee satisfaction</i>· <i>Ability and willingness to help, commitment and responsibility, resolving concerns, keeping key people informed</i>· <i>Understanding the customer's business</i>
Finances <ul style="list-style-type: none">· <i>Productivity, profitability, wallet share, revenue growth</i>

"By being open and transparent," Willard writes, "companies can learn, forge new relationships, spur market growth, and reduce risk exposure by building a foundation of trust...lastly, there is the financial benefit from increased customer retention due to greater product loyalty as a result of innovation and environmental performance."

The two articles mentioned earlier made the point that CAs have an important role to play both in valuing individual customers and justifying CRM technology investments. Clearly, CAs also have a crucial role to play in practical results measurement to ensure *all* the organization's goals are being met. Everyone wants "faster, cheaper and better." In many organizations, you can choose any two of these, but it is a lot harder to achieve all three.

An excellent way to do so is to make sure you bring your values alive in strategy, products, and services, supported by judicious investment in technology. Companies that consistently reflect their values, passions, and beliefs in their strategic objectives have been proven to do better over time than those that do not.

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