Relationship Intelligence: 
Overcoming Risk and Uncertainty 
In Sales and Marketing

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Relationship Intelligence: Overcoming Risk and Uncertainty in Sales and Marketing

Nearly a hundred years ago, Retailer John Wanamaker lamented, “Half the money I spend on advertising is wasted: the trouble is, I don’t know which half.” A century later sales and marketing is still uncertain…is considered a Black Box, if not a Black Hole, by many.

Many business leaders recognize the keys to competitive advantage and profitability lie in customer relationships and customer retention. However, with uncertainty and lack of clarity about how customer relationships work, most have not been able to take full advantage of this insight. A critical relationship metric has been missing as well as an actionable framework to give executives the strategy and the tools to use it.

Major Management Challenges

Despite tremendous effort put into market research, technology and data mining, not enough is known about the process of developing customer relationships across the customer lifecycle. And although there is much more sophistication in terms of developing strategy and offerings, there is uncertainty in strategy execution because of disconnects between strategy and the action on the ground with customer-facing teams in marketing, sales and customer service.

In this customer-driven environment it is time to overcome the risk and uncertainty of these challenges. There are many symptoms of dysfunction when these overlapping challenges aren’t taken care of. The work in customer-facing functions of marketing, sales and customer service is harder than it has to be; there are more obstacles in the way of the really bright people who do their best to make it work anyway. And management has to operate more on faith than is prudent.

See if these key challenges ring true. And imagine what it would be like if these situations were mitigated. Imagine what it would be like for innovation and productivity if the creativity of all the people involved in customer-facing functions and management could flow without these frustrations. How much better people would be treated. How much more profitable and more sustainable business would be.

Challenge #1: What happens with, and to, customers is not easy to track.

Key Symptom: It’s rare to have anyone designated in charge of customer retention.

Some 80% of revenue for most businesses is from repeat/referrals versus 20% of revenue coming from new business. Yet seven times as much money is spent in acquiring new customers as in retaining them. And way too many new customers don’t repeat. Something’s wrong with that picture. Were they the right people? Did they get enough attention?
Executives tend to recognize that customer retention is important to profit, but with the exception of national account teams for large customers, generally customer retention is not on the radar screen of middle managers. All too often they are not measured for that. Typically, middle managers are rewarded for cost cutting. So much so that “cost-to-serve” is a critical measure to them.

Yet retention is where the money is. What’s needed is a new customer retention function for all customers, drawing from the traditional roles played by marketing, sales and customer service. Then with a practical way to measure relationships, customer retention could be managed as a profit center not just on costs. Executives could lower their risk of losing valuable customers and increase returns from all customers, not just the big ones.

Challenge #2: Disconnects make it difficult for people to work together effectively.

Key Symptom: Often executives can’t say with certainty why they are successful.

That makes it hard for many executives to give good direction to help their teams repeat success. Jim Collins, the author of *Good to Great*, says the most dangerous position a company can be in is when it does not know why it’s successful. Yet typically executives have to rely on the opinion of those close to them or anecdotal information rather than quantitative measures. As valuable as anecdotal information is, as it is passed up the chain of command, it loses potency and reliability. But it hasn’t been practical for it to be any other way until now. As a result executives have been isolated from the very people who could give a first-hand account—customers and the people who relate to them. And even those people haven’t have been able to put success in context. What’s needed is an actionable relationship intelligence framework to know: do this, this and that. In this order, at this time. In that pattern.

Challenge #3: Linking strategy and execution is hard work, measuring it is harder still.

Key Symptom: Current metrics are inadequate for measuring strategy execution.

Profit is how a company keeps score; how it tells if its strategy is working. Yet profit and strategy execution have been hard to measure except as an end state.

Efficiency measures of a person’s skill in executing a function or the organization’s use of a tactic like the cost per lead, time to close a sale, time to resolution of a service issue or the percentage of “perfect” orders aren’t sufficient to measure strategy execution effectiveness. None of these metrics measure the progress in improving relationships with customers and correlating that to profit—the ultimate in effective strategy execution. Happy customers buy and stay.

Even current strategy mapping approaches rely on metrics for strategy performance management from point solutions at the tactical level. None of the metrics are bad per se; each is helpful in context; they just don’t do the strategic job of measuring the customer relationship so it can really be managed and developed profitably. Most traditional metrics these approaches employ measure the company and the company’s activities in relationship to the customer, but not the customer relationship itself.
What’s needed are relationship metrics to codify the common, cross-functional language of profit as it is earned in a consistent framework to bring profit planning and execution from the bottom up—where the action is, where the customers are—to the executive suite. What’s needed is to speak of strategy in terms that relate to the customer relationship. What’s needed is to speak in consistent profit and relationship metrics across business units, across the company. What’s needed is to take executives out of isolation from their customers.

What’s needed are relationship metrics to measure a company’s interactions with customers. It is these interactions that ultimately execute its strategy, earn profit, and deliver competitive advantage.

Executives get this. Some 71% of senior business leaders believe that the customer experience is the next corporate battleground, according to Colin Shaw and John Ivens, authors of Building Great Customer Experiences.

New Roles for Marketing, Sales and Customer Service

For companies to realize competitive advantage from customer relationships and optimize profitability, they must be relationship driven. New, unifying roles for marketing, sales and customer service need to be defined that uses the common language of profit to align strategy and execution and expands responsibilities beyond acquisition and closing into retention.

The new roles enable a process to develop relationships with customers across the customer lifecycle. It is a joint collaborative process with customers—with interactions back and forth. The interactions are how the tactics designed to execute strategy are carried out. Measurement need to be about: What customers DO, what customer-facing people DO. And what happens as a result to build the relationships necessary to acquire and keep profitable customers.

With this new definition both the company and the customer win. A business is partnership between a company and the customers who purchase its products and services. It always has been; it is just more recognized now.

New Relationship Metrics Perspective

Before Frederick Winslow Taylor discovered that measuring time and motion could quantify manufacturing, manufacturing was as intuitive as sales and marketing is today. An art, not a science. From his work the field of Industrial Engineering was born. Manufacturing processes were defined in terms of time and motion and with the addition of materials to the concept; common manufacturing models (raw materials to semi-finished goods to finished products) were codified. ERP (Enterprise Resource Planning) was developed to plan in this environment, scheduling both materials and processes. Then, Operations Research grew up to analyze the results. Now manufacturing is much better understood and much more quantitatively managed.

Interactions are to sales and marketing what motion was to manufacturing. And as it is in manufacturing, time is a critical measure for sales and marketing as well. Time is money. But more than time is needed to measure sales and marketing, just as more was needed to measure manufacturing. In Taylor’s case he could see what happened
with the motion—what got produced. In sales and marketing, another metric is
needed to see what is happening—a critical relationship metric that has been missing
until now.

Continuing the manufacturing analogy, sales and marketing compares more aptly to
continuous process manufacturing than to discrete manufacturing. In continuous
process manufacturing the “brew” in the semi-finished stage can be observed from
control panels, its “temperature taken,” and immediate adjustments made.
Management needs a way to peer into sales and marketing’s Black Box to take its
temperature, to see what is happening. What is “happening” is relationships with
customers are being developed. What’s needed is a Key Performance Indicator for
relationship development. Call it Relationship Value. But Relationship Value is not just
for analysis; it allows people on the frontline in marketing, sales, and customer service
to make informed, more profitable operational decisions, one interaction at a time.

**Relationship Value, the Key Performance Indicator**

Relationship Value is the Key Performance Indicator because it measures the progress
in developing the customer relationship. It is the “effect” in cause and effect. The
interactions themselves are the “cause.” Cause and effect in customer relationships is
different in every company and even within different parts of the same company.
Because this is so, measuring Relationship Value can lead to sustainable competitive
advantage when harnessed. Relationship Value lets managers take the temperature
inside the Black Box—to see where they are relative to their customers.

Each interaction has a scored relative value based on the interaction’s impact and
relationship enhancement capabilities. For example, the value of an email is quite
different from a special event. The value of the first direct mail piece in a series is
different from the seventh or the tenth. Relationship Value can be expressed as the
value of all interactions across the customer lifecycle or looked at by levels within the
customer lifecycle. Looked at by levels, dynamic patterns can be observed that lead to
repeatable process.

There’s no Silver Bullet or short cut here. It takes work to get started measuring
Relationship Value, but it provides the context, the framework, for analysis.
Considering just the interactions and the number of them doesn’t lead to the clarity
that is possible—there are myriad interactions and myriad combinations. The common
denominator is Relationship Value that puts the interactions into perspective, into
context—to compare apples to apples.

Once Relationship Value data is collected, there are many ways to analyze the data,
working with commonly available tools and analytical approaches.

**Opening Sales and Marketing’s Black Box**

With **Relationship Value** a broader, more holistic process links the customer
relationship to profit and through profit back to strategy. The approach

- **Shifts the focus from acquisition to retention, where the money is.**
- **Collects missing operational data about the value of customer relationships.**
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- Measures relationship cause and effect continuously in an operational system for in the moment decisions and immediate course correction.
- Provides a more up-to-date view of profit and a more comprehensive picture of the company’s fiscal health.
- And captures profit and behavior patterns to repeat success.

With Relationship Value, and an actionable relationship intelligence framework to give executives the strategy and the tools to use it, management addresses the challenges from risk and uncertainty in customer-facing activities and can:

- Unlock the unique, sustainable competitive advantage found in customer relationships.
- Align the organization in a consistent framework for high-profit revenue.
- Operationalize strategy to measure and track how it is working real time.

With Relationship Value executives can act with more certainty on highly relevant “inside” relationship intelligence. Now they can see inside the Black Box.

About the author and Religence:

Linda Sharp is CEO of Religence, a customer-focusing performance management consulting firm. A 30-year marketing veteran who has observed success in sales and marketing with a mathematician’s eye, she is the principal developer of the Religence Framework, patent pending. A sales and marketing process innovator and integrator, her firms have been a laboratory for developing a quantitative approach to sales and marketing while building a solid track record with major companies in high tech, manufacturing, and financial services. Reach her at linda.sharp@religence.com.

Relationship Intelligence

This paper is an excerpt from the first chapter of her upcoming book on Relationship Intelligence. For a complete text of the chapter, presented as a paper go to www.religence.com/info.html.

Religence®

Religence Answers Critical Profit Questions: How to Align for Profit? How to Operationalize Strategy? Religence overcomes risk and uncertainty with a new metric Relationship Value and a new framework to take marketing, sales and customer service to a new operational level. With Relationship Value Religence unlocks the competitive advantage in customer relationships. The Religence Framework enables hands-on, continuous feedback for management while tying customer relationships to profit. Results: Religence clients know where they stand with customers and how value is built—cause and effect. Religence clients are able to execute their plans, manage in the moment and repeat success. Religence clients treat their customers better and they make more money.

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