

## **Future of Marketing Summit Launches a 'Customer Equity' Movement**

*AARM's Future of Marketing Summit held in Toronto on November 14, 2006 provoked the thinking of the participants and engaged them in seeking solutions. According to, Robert T. Stacey, CEO of the Association for the Advancement of Relationship Marketing (AARM), the Future of Marketing Summit evolved from a growing need for marketers and business leaders to step back from day-to-day tasks and examine the inescapable challenges facing marketing today and in the future.*

Toronto (PRWeb) November 28, 2006 -- On November 14, 2006 AARM's Future of Marketing Summit engaged an audience of business leaders in a lively debate about the challenges facing sales and marketing. Robert T. Stacey, CEO of the Association for the Advancement of Relationship Marketing (AARM), says that "The Summit evolved from a growing need for marketers and business leaders to step back from day-to-day responsibilities and examine the inescapable challenges facing marketing today. Participants walked away with new insights into these challenges and new strategies that turn these challenges into opportunities."

Stacey adds, "The Summit was intended to start a movement, one intended to help companies face up to the business issues brought on by change and innovation. AARM and its Customer Equity Initiative are designed to provide guidance and ongoing support as companies wrestle with the issues."

Five thought leaders provided insights into what it will take for companies to gain and sustain profitability and growth in today's business climate. While each presented a unique perspective they were united in arguing that in an era of abundance, overwhelming choice and rapid change, customer relationships, not product is the most important source of competitive advantage.

John I. Todor, Ph.D., managing partner of The Whetstone Edge, LLC and author of *Addicted Customers: How to Get Them Hooked on Your Company*. discussed "Today's Customers: What They Value and How They Make Decisions." According to Todor "Until you understand the psychology of the customer experience, how to measure it and how to build it into your offering, you will be forced to compete on price, convenience and incentives." He shared methodologies and strategies to win customer mindshare, loyal and the commitment of today's customers.

Linda Sharp, CEO of Religence Inc., stated that business leaders recognize that competitive advantage and profitability lie in customer relationships. She argued, "Most businesses have not been able to take full advantage of this insight because they lack a critical relationship metric. If you can't measure the customer interactions, the relationship is invisible." Sharp shared how Religence, Inc. offers a metric and methodology the allows marketers to measure cause and effect across the entire customer lifecycle and illustrated how this enables the real-time management and resource management required for sustainable profits and growth.

Ray Sheen, President and Founder of Product & Process Innovation, Inc. provided insights into "Engineering Lifetime Value into the Customer Experience." Sheen, an engineer, takes the following position "By definition, product development engineers are product-centric, and product development has become a well-honed process for delivering the next generation widget. But in most cases the product, per se, is no longer a sufficient

differentiator. Marketers are increasingly concerned about customer lifetime value and see the customer experience as an essential vehicle. By working together, marketing and engineering can define a Product Relationship Road Map--a road map that engineers positive, reoccurring experiences into the use of products to continue to build customer relationships after purchase."

Pamela Swingley, President of Savvy Internet Marketing, LLC talked about how Online trends are transforming marketing. Swingley, a seasoned veteran of traditional marketing now argued that "fashioning effective marketing strategies requires insights into a host of new issues: How do customers search? How do you reach them? Why do online leads deliver a better ROI? What are the implications of greater corporate transparency?" Swingley is adamant. "Internet marketing is not just a new set of tools. It inescapably changes a company's relationship with its customers."

William Todor, Ph.D., Senior Partner of The Whetstone Edge, LLC discussed the importance of getting employees engaged in delivering compelling customer experiences and aligning corporate practices with this mission. According to Todor, "Companies must recognize that delivering compelling customer experiences requires fully engaged employees. While employees are physically present on the job, the majority are at least partially psychologically absent. While this has a detrimental impact on productivity it has a devastating impact on a company's ability to deliver an emotionally engaging customer experience." He discussed how the psycho-economic framework presented in the new Addicted Customers book could be used to get employees engaged in their job and enable win-win-win relationships between customers, companies and employees.

Stacey wrapped up the day by noting that all the thought leaders made the case that building strong customer relationships is a journey, not an event or campaign. He added that the goal of building customer relationships is to build customer equity, the intangible that leads to trust, commitment and a foundation for both parties to adapt to an ever changing business climate. "Building customer equity doesn't happen by chance" says Stacey, "Companies need to develop and implement deliberate practices to make this happen." He closed by saying the AARM's Customer Equity Initiative was designed to help companies as they embarked on the journey to building customer equity. Stacey invites forward thinking business leader join the movement by going to [www.CustomerEquity.org](http://www.CustomerEquity.org).

Robert T. Stacey is the CEO of the Association for the Advancement of Relationship Marketing (AARM). AARM is a worldwide network of business associates and executives who are deeply involved in Marketing, CRM and related subject areas. AARM provides a worldwide forum for the development, understanding and communication of the principles CRM, CEM and other practices related to building Customer Equity. The AARM Community is comprised of over 5,000 individuals, the majority of whom are Senior Executives in retail, financial, manufacturing, technology, service industries.

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Relationship Intelligence:  
Overcoming Risk and Uncertainty  
In Sales and Marketing

by Linda Sharp  
CEO, Religence, Inc.

## 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.*

- *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:

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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](mailto: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](http://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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