
A Dozen Myths About Customer Relationship Measurement

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Today, more than ever, you need strong bonds with customers. The old adage that it takes more resources to get new customers than to keep existing ones is even more relevant. You simply can't afford to turn customers off or away. Your company may be thinking about implementing a customer relationship measurement program to ensure that every experience, every interaction contributes to maintaining or, better, strengthening your connection with customers. As you move forward in this effort, you may want to be aware of some myths or misconceptions that have emerged around this type of research. We hope that sharing these lessons learned will help you create a program that maximizes return on the time, energy and money you invest in relationship measurement research.

1. Satisfaction is satisfactory.

An entire Customer Satisfaction Measurement (CSM) industry has emerged over the last several decades. "Customer Sat" surveys abound on the Internet, at conferences, at retailers, in magazines, and literally hundreds of other touch points with customers. Most research shows, however, that ratings of satisfaction are not tightly connected with behavior: satisfied customers often do not return and dissatisfied customers often repurchase. Satisfaction with an isolated touch point is a very narrow slice of customer opinion – relying on satisfaction limits your ability to enhance and enlarge your relationship with customers.

2. Repeat purchase is the same as Loyalty.

Customers are often asked about their intent to purchase (or actual purchase behavior is linked with survey results). However, repeat purchase is often a passive, even thoughtless, behavior. We stop at the corner gas station because we've always stopped there, re-subscribe to the same magazines because we have always had those magazines, buy coffee from Store X because we're in a hurry to get to work, and so forth. Is this really Loyalty or mere habit? We view Loyalty as an active choice of you versus the competition. Repurchase creates repeat customers; Loyalty reflects a true bond with those customers.

3. We know what matters to customers.

Knowledge of your industry and organization is an asset 99.9% of the time, but your deep knowledge can be a liability in assessing customer opinion: your point-of-view of what matters, even what your product/industry is, may be entirely different than your end-users'. The customer point-of-view about you, your industry, and your products/services should serve as the foundation for retention and relationship growth.

4. Tactical information is the primary output.

Customer perceptions of specific service interactions or product experiences can help fine tune your processes, products, and operations. However, our approach is about your *whole*

relationship with your customer. Feedback that goes beyond isolated transactions can support more strategic thinking about who matters, what matters, and how the organization can allocate limited resources to maximize profit.

5. It's just for internal tracking.

What you measure matters because what you measure is a reflection of what matters to your organization as well as your values and culture relative to your relationship with customers. Not only does what you measure send a strong message internally about “what matters here,” but your approach sends a direct message to customers about what matters to you. Measurement is effectively part of your marketing and PR program. A perfunctory quick-and-dirty survey tells customers a lot about their value to you and what matters to your company.

6. Our database of customers is the target.

Lost customers, prospects, and competitors’ customers provide essential information about service and product gaps as well image issues that keep customers at arm’s length, or worse, drive them away entirely. Focusing exclusively on your current customers is a bit like preaching to the choir. You need alternative—even contrary—points-of-view to stay ahead of competitors looking for chinks in your armor.

7. All we need is a number.

Many customer relationship surveys focus on one number or index. While one key measure is important for tracking and, perhaps, performance bonuses, there is little diagnostic value in a single measure. Overly simplistic approaches limit your ability to understand and creatively respond to the “why’s” of the relationship. We believe that customer relationships are complex – a connection with head, hands, and heart – a single measure is unlikely to give you direction about what aspect of the relationship is at risk and, importantly, what you can do to mitigate that risk.

8. It's gotta be huge.

Conversely, some customer opinion programs are all-or-nothing cumbersome behemoths that are needlessly complicated and expensive. We believe when the initial thinking is large you can derive greater benefit from scalable research options. Smaller components can be implemented and used more intelligently if they are placed in a larger conceptual framework. New service areas, customer types, or layers of the relationship can be integrated over time as the organization learns more about what matters to them and their customers.

9. Value is all about price.

The traditional view of Value is “you get what you pay for.” The “get” is usually the overt product or service transaction and the “pay for” is dollars and cents. As the world gets more complicated and time pressures increase, we find that the non-monetary costs of doing

business matter as much, if not more, than the monetary. Hassle has emerged as a core part of the Value equation. Your service processes, systems, and people are key to balancing this hassle factor. Measurement of a single transaction or your entire relationship needs to account for the soft costs of doing business with you and capture information about how you provide full Value to customers via your service culture, strategies, and processes.

10. Perception exists in a vacuum.

Customers come to you with a history: previous exposure to you and/or your competitors via press, word-of-mouth, or advertising; general knowledge of your category, technology or industry; an evolving set of needs based on life cycle stage; predispositions, temperaments, and attitudes; cultural or regional preferences; and so forth. Perception of an isolated service experience may be more a function of this history than of the experience itself. If you don't have some understanding of this history or context in which the relationship exists, you may misdirect resources fixing problems that aren't really problems or stay focused on tactical tinkering when the "problem" is the advertising campaign that creates unrealistic expectations about the company or product.

11. Everyone wants everything the same.

It is common to have a **single** customer satisfaction program that covers all customers. These programs implicitly assume that all customers are the same in terms of expectations, needs, and experiences. We strongly recommend alignment with your segmentation research so you have the best and most profitable relationships possible with your best and most profitable customers.

12. This is only about customers.

There are many groups that impact your business success and profitability. Relationship concepts and measurement can and should be applicable to any stakeholder group: employees, suppliers, regulators, strategic partners, community leaders, etc.

OUR APPROACH - Customer Engagement Measurement (CEM)

Engagement as the Key Outcome

You want customers to make an active choice of you if their circumstances change or competitive alternatives emerge. Actively loyal and engaged customers buy more (quantitative growth), try more (qualitative growth), direct more spending to you (share of wallet), and direct others to you. An engaged customer is a passionate customer who willingly spreads the word about you and your products/services. Our approach includes measures of touch point satisfaction, overall value, and repeat purchase, but is focused on the end game of true loyalty, advocacy, and engagement with your customers (or other stakeholder groups).

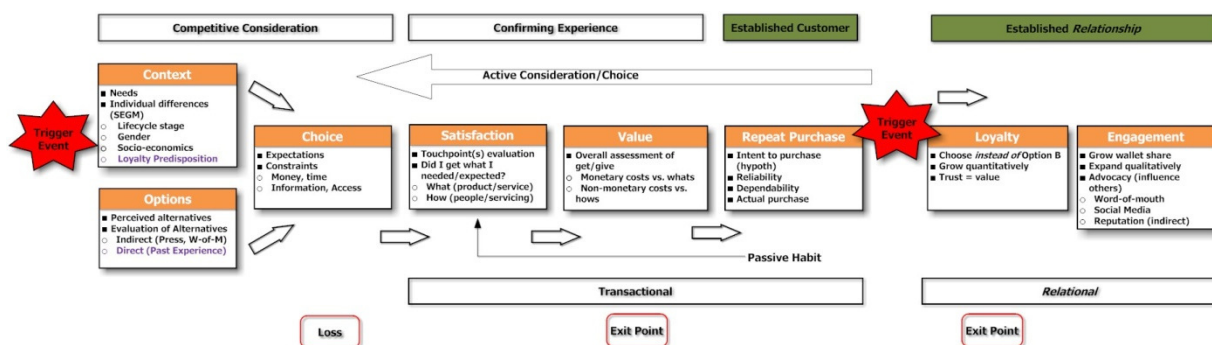
Multidimensional Measurement

We address the complexity of relationships by using solid social psychological theory about the ABCs of attitudes: **A**ffect (emotions), **B**ehavior, and **C**ognition (thinking or logic). Engagement reflects a positive connection with customers hearts, heads, and hands - without measures of each, you won't know why customers are leaving, robotically repurchasing, or undermining you in social media.

In addition to the multi-dimensions of attitudes we recommend both absolute and relative measurement: absolute (in isolation) evaluations of your products and services as well as ratings *relative* to your competition to identify opportunities and threats that may not be evident in organization-centric results. Finally, we encourage inclusion of *actual behavioral data* (your internal data) as well as self-report data to help you connect the dots between what customers say and what they do.

Conceptual Framework

What you measure matters. Customer engagement is as much about strategy and corporate culture as it is about measurement. We help you identify what matters and measure it in a coherent framework that accounts for the complexity and lifespan of customer relationships. This framework also supports analysis and recommendations by suggesting pathways between experiences and evaluations. If ratings are unexpectedly low or high, a conceptual framework provides diagnostic capabilities. Predictive modeling is also an option via advanced statistical methods, especially when internal data is incorporated into the system.



Scalable Options

We provide large conceptual framework but do not suggest an all-or-nothing implementation of CEM. Your business needs will dictate the scope and depth of measurement. A specific segment, service area, or relationship layer may be your immediate focus, but the whole framework is used as the backdrop for interpretation of “what’s going on here?” We strongly recommend a qualitative phase prior to survey design to ensure that the customer point-of-view is the foundation for touch point definition, key service indicators, unique/unexpected needs, and question language.

Need	Scope	Focus
Annual reporting for performance measurement, Ad hoc “red flag alert”	Annual Snapshot	Outcome Measures and Touchpoint Summary
High-level analysis of Lost customers (add more Touchpoint detail for deeper dive)	Snapshot-Lost	Same as Snapshot but asked of Lost customers
Quarterly/monthly monitoring of key service areas	Pulse	Outcome Measures and Touchpoint Summary
Quarterly/monthly monitoring, some diagnostics for operational areas	Touchpoint Tracking	Outcome Measures, Touchpoint Summary and Indicators
Monitoring, strategic, and operational level diagnostics	CEM	Outcome Measures, Touchpoint Summary Only, Individual Differences, Context, Constraints
Monitoring, strategic, and operational level diagnostics, plus identification of potential opportunities/threats to current customer relationships	CEM-Comp	CEM with additional emphasis on own customer perception/behavior around competitive options
Understand factors/issues that “push” customers away; strategic and operational insights losses	CEM-Lost	CEM implemented for Lost/exited customers
Deep understanding of competitive positioning, drivers, segments—opportunities for competitive gains	CEM-Bench	CEM replicated for competitive customers

Our Customer Engagement Measurement approach builds on lessons learned from decades of working with a variety of companies in a variety of industries. These lessons help you avoid many of the pitfalls that sidetrack measurement initiatives and provide the maximum intelligence for your research investment.

If you would like to learn more about the 1st Resource approach to CEM, we invite you to contact us. We look forward to helping you become more engaged with your customers and your customers to become more engaged with you.

Customer Engagement Measurement Assessment

1st Resource provides complimentary assessments for companies who are committed to examining and improving their engagement with Customers and other key stakeholders.



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