book review

Customer Relationship Intelligence

There is a curious thing about the organization of a typical company. While there is one Vice President in charge of Finance and one Vice President in charge of Operations there can be up to three Vice Presidents facing the customer: a Marketing Vice President, a Sales Vice President, and a Service Vice President. On the one hand, the multiplicity of Vice Presidents and their attendant organizations is a testament to the importance of the customer. On the other hand, multiple organizations mean that no one is in charge of the customer relationship and thus no one takes responsibility for it.

We see this in the metrics that are normally used to measure and reward customer-facing employees. Marketing measure themselves on how well they find leads regardless of whether sales uses the leads. Sales measure themselves on the efficiency of the sales people in making sales regardless of whether the customer is satisfied. Service, left to pick up the pieces of an overpromised sale, measure themselves on how quickly they answer the phone. Every one is measuring their own actions and no one is measuring the customer.

Linda Sharp addresses this conundrum head on in her new book *Customer Relationship Intelligence* (ISBN: 978-0-9799657-0-8). As Linda explains, a customer relationship is built upon a series of interactions between a business and its customer. For example, the interactions starts with acquiring a lead, perhaps through an email or mass mailing response or a clickthrough on a web site. Next, more interactions qualify the lead as a potential customer. Making the sale requires further interactions leading up to the closing. After the sale there are yet more interactions to deliver and install the product and service to keep it working. Linda's thesis is that each interaction builds the relationship and that by

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recording all the interactions and giving them both a value and a cost, the business builds a quantified measure of the value of its customer relationships and how much it has spent to build them.

Having a value for a customer relationship completely changes the perspective of that relationship. It gives marketing, sales and service an incentive to work together to build the value in the relationship rather than working at cross purposes to build their own empires. Moreover, knowing the cost of having built the relationship suggests the value in continuing the relationship after the sale is made. In the book, Linda takes the whole second chapter to discuss customer retention and why that is where the real profit is.

The rest of the book is logically laid out. Chapter Three "A Comprehensive, Consistent Framework" creates a unified model of a customer relationship throughout its entire lifecycle from the first contact by marketing through sales and service to partnership. This lays a firm bedrock for Chapter Four, "The Missing Metric: Relationship Value" which explains the customer relationship metric, the idea that by measuring the interactions that make the relationship we can give a value to the relationship.

The next two chapters discuss how the metric can be used to drive customer

relationship strategy and tactics. The discussion of tactics lays the foundation for Chapter Seven, which shows how the metric is used in the execution of customer relationships. Chapters Six and Seven contain enough concrete examples of how the data can be collected and used to give to give us a feeling of the metric's practicality. Chapter Eight compares the customer relationship metric with other metrics and explores the many ways in which it can be used. Finally, Chapter Nine summarizes the value of the Customer Relationship Intelligence approach.

Linda backs up her argument with some wonderful metaphors. One example is the contrast between data mining and the data farming approach that she proposes with her Relationship Value metric. For data mining, we gather a large pile of data and then use advanced mathematical algorithms to determine which parts of the pile may contain some useful nuggets of information. This is like the hunter-gatherer stage of information management. When we advance into the data farming stage, we know why customer relationship metric is important and understand how to collect that data directly.

As the metaphor suggests, we are still in the early days of understanding and developing customer relationship metrics. Until now, these metrics have concentrated on measuring our own performance to see how well we are doing. Linda Sharp's Relationship Value metric turns this on its head with a new metric that measures our whole relationship with customers. Read the book to discover a new and unified way of thinking about and measuring your customers.

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