

THE ROLE OF CUSTOMER INSIGHT IN BUILDING YOUR CRM STRATEGY

a CustomerThink white paper

by

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Jim Barnes is an educator, author, consultant and speaker with more than 30 years experience helping clients build solid customer relationships. His most recent book, *Secrets of Customer Relationship Management: it's all about how you make them feel* (McGraw-Hill, 2001), provides a unique view of CRM, approaching the subject from the *customer's* perspective. Jim is a specialist in the development of genuine customer relationships, based on solid strategy and supported by the measurement of relationship quality. He regularly delivers keynote talks, management workshops, and seminars on customer relationship strategy, brand relationships, customer value, and related topics. He has worked with many corporations, including IKEA International, Tesco plc, AstraZeneca, Royal Bank of Scotland, Rogers Broadcasting, Siebel Systems, Eli Lilly-Elanco, Xerox, Royal Bank of Canada, Transcontinental Media, and CGI.

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“GETTING TO KNOW THEM BETTER: THE ROLE OF CUSTOMER INSIGHT IN BUILDING YOUR CRM STRATEGY”

EVOLUTION OF THE CUSTOMER VIEW

My focus for the past ten years or so in working with major clients has been on customer relationships. I consider myself a specialist in customer relationship strategy and measurement, which is not to say CRM, at least not as it is typically approached in many organizations. I happen to believe very strongly that the interest in customer relationships that we have seen in recent years represents a fundamentally important advance in marketing thinking. So much so that it is critically important that marketers and others in organizations know what they are talking about when they refer to customer relationships. Many companies have been singularly unsuccessful in implementing CRM, simply because they have not developed a strategy to guide the implementation.

A company’s approach to its customers (or what is generally referred to as marketing) has evolved through four identifiable stages over the past 50 years or so, with the result that the way companies approach customers and marketing today should be quite different from the way they did even 10 or 15 years ago. This has tremendous implications for customer research and the collecting of customer information, not to mention the practice of marketing itself.

Marketing as a discipline may be traced back only 50 years or so. It was only at that time that the modern version of marketing began to evolve, driven largely by consumer packaged goods companies, automobile and appliance makers. In the early days, the emphasis was on gaining a competitive advantage by building better products – the “build a better mousetrap...” school of marketing. The conventional wisdom was that the way to gain an advantage over the competition was to make better products. Not a bad argument, particularly when many companies had not yet addressed quality issues. Still, this reflected very much a manufacturing perspective, and there was little or no mention of customer service.

Next came the sales era. Increased manufacturing capacity, automation, and an expanding workforce made it possible to make lots of things. Now, we had to sell them. Gone was the notion of customers beating a path to our door; we had to employ salespeople to try to sell what we produced. This heralded the entrée into marketing of the stereotypical

salesperson and the age of incentive-based selling. Salesmen were put on commission and told to move that inventory and make that quota. While this was a step forward in the evolution of marketing, it was still very much driven from within the company; we decided what to sell and to whom. The customer was still seen as a passive being. Marketing was something we did to people.

It was not until the 1980's in many companies that the view changed toward an emphasis on the customer. Surprising though it may be, this relatively recent focus on the customer coincided with a realization that customer service had a great deal to do with the achievement of customer satisfaction and that customers are not stupid. More enlightened firms started to pay a great deal more attention to the wishes and needs of their customers, rather than simply trying to sell them more stuff. The result was something of a sea change in how marketing was viewed; the beginning of the "outside-in", customer-centric view that today dominates the field.

But, in my view, the most progressive companies have gone through a further change in their view of the customer within the past ten years or so, as they have moved beyond a customer focus to become focused on building relationships. Their concentration is not merely on the achievement of short-term customer satisfaction, but rather on the development of long-term solid relationships that will see customers coming back to do business well into the future. This realization that customer retention and relationships represent a good thing grew out of the ability of companies to calculate the long-term value of a customer and the resulting evidence that customers become more valuable the longer they do business with us. Thus, the emphasis switched from merely getting customers to keeping them.

Although we have witnessed this evolution of marketing thinking over the past 50 years, all companies have clearly not yet reached this focus on customer relationships. Many now consider themselves to be customer-focused, but it must be conceded that many are still back at the sales-emphasis or even the product-emphasis stage.

The purpose of this paper is to explore the changes in marketing information that must accompany the progression of a company from being product- or sales-focused to being customer- or, more particularly, relationship-focused. My experience suggests that whilst management thinking may have evolved to the point where a company genuinely believes in the value of developing relationships with customers, their understanding of relationships and the information they use to guide strategy making and the evaluation of performance is still mired back in

the early days of marketing. They are using data and research information that is inadequate to the task of guiding the development of customer relationship strategy.

A DIFFERENT VIEW OF CRM AND OF THE CUSTOMER

Mine is a non-technology view of customer relationships; subscribing as I do to the view that we can't really understand how to build customer relationships until we understand customers. A relationships approach to marketing or to business in general demands a different kind and a different level of customer knowledge. I've been studying customers for more than 30 years and remain fascinated by them; how they decide, how they buy, what influences them. I have learned over that time that there are many ways to achieve customer satisfaction and that different groups of customers want quite different types of relationships.

I am firmly of the belief that the more we know about customers, the better we can be at marketing to them. In fact, I have often made the observation that most of what I know about marketing, I have learned from customers. Thus, customer knowledge is critical to the effective practice of marketing and to the effective building of customer relationships. In this paper, I outline my view of the kinds of knowledge we need in organizations if we are really going to reap the tremendous benefits that are inherent in the concept of customer relationships. What I am presenting is essentially the customer's view of customer relationships, gleaned from the hundreds of customer research projects in which I have been involved over the years, and closely linked to the notion that it is the customer who decides when a relationship has been formed, not the firm.

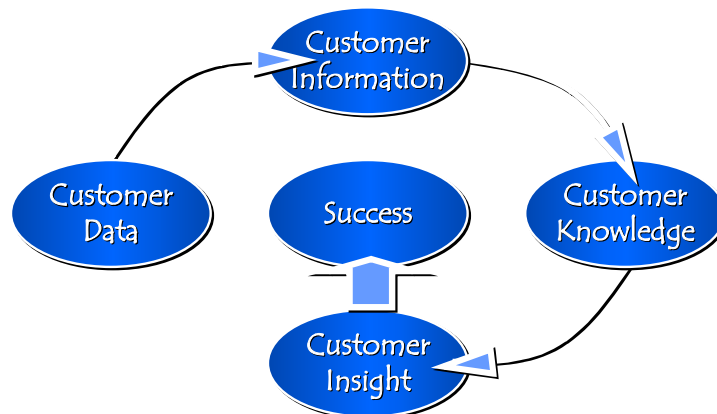
In my discussions of customer relationships with many companies, I have found a great deal of variability in the levels of customer knowledge. Some have very deep knowledge and understanding of their customers, what I would refer to as customer *insight*. Others think they know their customers, but clearly do not. Others know *about* their customers, without really knowing them. And, others are quite arrogant about it, suggesting that they know far better than their customers.

One of the more interesting conversations that I have had recently that reflects the latter position involved a senior marketing executive of a major North American retail chain. To my astonishment, the executive advised that the firm does no customer research. The view in that firm, apparently, is "if you have to resort to doing market research, it is an admission that you do not know your customers."

What many firms have today is a great deal of *data*. One of the key messages that companies need to hear is that data do not represent knowledge. Data at best represent information. In today's world of automatic data capture, many firms have a tremendous volume of data resident in huge data warehouses. What these data represent for the most part is a formidable amount of detail on customer behavior and transactions. In fact, it is the amassing of such data that lies at the heart of CRM installations.

I would suggest that, in order to parallel the progression of a firm from a product-focused to a relationship-focused organization, there must be a similar progression of the firm's understanding of its customers, one that we might consider moving through four stages, from customer *data*, through *information* and *knowledge*, to *insight*.

The Route to Success



Let's talk about CRM and where my view of customer knowledge fits into the current CRM world. First, as I have mentioned, customer relationships represent an extremely valuable approach to marketing, one that has the potential to allow firms to achieve long-term success. Unfortunately, the CRM acronym has been appropriated by the software industry and is most often applied in the context of software installations.

There has been a view in many firms that technology and software can drive customer relationships. There is a prevailing view also that this approach to customer relationships has been singularly unsuccessful – 70-80% failure rates have been reported by many sources. This is not really a fair assessment of CRM, as many of the systems that have been installed have in fact succeeded in what they were intended to do,

namely make firms more efficient, facilitating data collection, integrating systems, etc. What has not resulted in many cases is much success in driving higher levels of customer satisfaction, retention or loyalty. But why would they? Many systems have been installed by the IT department with predictable IT-like goals.

In fact, if you asked many firms to show you the objectives for their CRM installations, they are usually expressed in terms of the achievement of efficiencies, the integration of systems, linking various functions, more accurate and timely service delivery, etc. – principally, internally-focused goals that deliver benefits mainly to the firm.

I don't believe we can achieve solid, *genuine* customer relationships on the basis of installing CRM systems. CRM technology, as with all technology, is a tool, an enabler, that will make it possible for companies to do certain things, but not others. But, my view of CRM systems is not a particularly negative one. I believe that CRM and similar technologies are valuable if used within the context of a customer relationship strategy. What they provide is lots of data, but little insight; an extremely narrow view of the customer. To realize the value inherent in such data and to make good use of them in facilitating customer relationships, they have to be merged with other kinds of customer information – what I refer to as “soft” information.

Yet, CRM systems and the analytics that go along with them continue to be sold (and bought) on the basis of their ability (to quote one CRM vendor) to “capture data to help group, measure, predict, and in turn optimize, customer relationships.” The way that CRM has been implemented in many companies has seen it driven by a technology agenda, one that is focused on maximizing organizational efficiency, rather than any kind of relationship strategy. *When viewed from this perspective, CRM has little to do with either customers or relationships.*

My view of customer relationships is that the principles are precisely the same as they are with other human relationships. The fundamentals of relationships are the same. Essentially, a relationship is an emotional concept. Customers *do* form close, lasting relationships with companies and brands. There is ample evidence of such relationships, most often couched in terms of brand or company *loyalty*. Is the notion of developing long-lasting relationships with customers a viable, defensible concept? Of course it is. We would get almost universal agreement on this point. The payback to be realized is obvious. What is less obvious is exactly what a customer relationship is and how we achieve it; from the customer's perspective.

Many firms believe they already have relationships, but the customer disagrees. A relationship is more than the retention of customers or repeat buying. The customer has to *feel* a relationship. Many firms pride themselves on being customer focused, where the emphasis is on customer service. But that is different from an emphasis on relationships. There are dangers in being merely customer-focused.

I have concluded that, in order for a firm to be considered relationship-focused, it must exhibit four characteristics. Firstly, it must take a long-term view of the formation of customer relationships. It must subscribe to the perspective that relationships cannot be built overnight and that the achievement of relationship status with customers involves more than meeting short-term sales and profit targets.

Secondly, the firm must accept the fact that the customer defines the relationship. It is the customer, not the firm, that decides when a relationship is in place. This is a revelation to many firms who persist in the view that they can decide with whom to have a relationship and on what terms. Many believe they have relationships with customers, while the customers laugh at the prospect.

Thirdly, a relationship-focused firm will readily agree with the notion that a relationship is an emotional concept and that customer relationships must involve, therefore, an emotional connection with the firm. Once they understand and accept this view, companies immediately realize that they cannot build relationships simply on the strength of product quality and functional performance. Although these are fundamentally important, they are what researchers observe as necessary but not sufficient.

Finally, to be considered relationship-focused, a firm must accept that it must change its approach to measuring organizational success. Most companies have evolved, relying on conventional accounting-based measures of corporate performance, measures that are short-term, financial, internal, and historic. These are what I term “hard” measures. More progressive firms are combining such measures with a series of “soft” measures that reflect the firm’s ability to establish and maintain customer relationships.

MANAGEMENT’S VIEW VS THE CUSTOMER’S

We need to know a great deal more about customers and what it takes to achieve what I call *genuine* customer relationships. One of the things that is most important in terms of getting in the way is the disconnect

between management's view and the customer's in many firms. Managers generally think functionally, while customers think emotionally.

Management's view is hard; the customer's is soft. Management is usually focused on the speed and accuracy of service, on product and service quality as defined in a technical sense. Customers are much more likely to be focused on how they are treated, how they are dealt with and, ultimately, how they are made to feel.

I believe there exists today in many companies an almost complete disconnect between how the company and its customers view their interaction. Much of it relates to how the company views its customers, what knowledge it has available about those customers and how they interact with them. And it relates very much to the hard and soft view that I have referred to above.

To illustrate this notion of a hard and a soft side of customer interaction and knowledge, let's consider three concepts that lie at the heart of marketing. The way most companies measure their performance relates almost completely to the hard side of customer interaction and company performance. Most companies rely and base important customer-related decisions on measures that are short-term, financial, internal, historic and company-focused.

Value of the Customer

The first of these critically important concepts is *value of the customer*. One of the results of having sophisticated information systems available in recent years is the ability that companies now possess to estimate the value of a customer. Of course, some still are unable to do this on an individual basis, but many companies now have such sophisticated customer information systems and databases that they can produce an estimate of the value to the firm of each customer.

Such estimates of customer value are usually based on projecting forward recent purchasing patterns; the recency-frequency-monetary value model is popular. Where companies have somewhat more sophisticated information systems and cost accounting tools, they may be able to tell how much profit the firm makes on each sale to a customer; getting closer to an estimate of customer profitability.

The availability of such sophisticated information systems has spawned a mindset amongst managers in some companies that is driven by short-term profitability goals. That new view is that they should now *only* be

dealing with profitable customers. *Why should we serve customers on whom we are not making any money?* In fact, this is held out to be a plus associated with the installation of CRM and other software systems that they will allow us to calculate customer value, thereby allowing us to decide with whom we want to deal, at what level, and on what basis. It's a bloody-minded view that involves cutting some customers loose or firing them or charging them a fee to do business with us. The web site of one CRM vendor asks, "are you firing the right customers?"

The data-driven definition of customer value is a very narrow-minded view for a number of reasons. Reliance on such a "hard" definition of customer value allows companies to lose sight of some of the softer forms of value that customers create for a firm. For example, nowhere in the definition of customer value used by many firms is there any accounting for the volume of business that a customer may refer or influence because of word-of-mouth or his or her connection in the community. Similarly, many firms ignore the *future potential* of customers, focusing instead on their present or, more accurately, their recent historic value.

Another gap in the thinking of many firms when it comes to calculating the value of its customers is how to handle customers who have been quite valuable over a long time, but whose value, as defined by the information system, is slipping. Let me illustrate with an example that I encountered recently of a retired senior business executive who, after delivering literally millions of dollars of business to an international airline over 30 years, now is not even permitted entry to their business class lounge because he is deemed to be of no *value* as defined by their frequent-flyer program.

This example reflects a number of critical points that relate to the knowledge we have about customers and how we use that knowledge. This customer had been very valuable for many years, bringing the company millions in revenue. Because the information system or frequent flyer program tells us he is not flying as often and is no longer valuable, we treat him differently, creating all manner of negative effects. The airline has, in fact, created a terrorist. Not only will he never fly with the airline again, but he will tell everyone who cares to listen what a bunch of ingrates they are. They have lost an opportunity to create an ambassador, simply because of how they manage data and use it to make customer decisions. It's a clear case of what a colleague of mine recently referred to as "data overruling marketing logic". Maybe we should be giving some greater consideration to a concept that we might label *historic customer value*, recognizing the volume of business that customers have brought us over the years and rewarding them for their loyalty.

Customer Loyalty

The second concept that has a hard and a soft component and which is not well understood in many firms is *customer loyalty*. A study by Accenture and the Conference Board, published a couple of years ago, confirmed that CEO's in North America, Europe and Asia rated customer loyalty as the single most important management issue they faced. But, how were they defining loyalty? Most companies that I encounter define customer loyalty as a behavioral concept. In fact, many apply the recency-frequency-monetary model here as well, defining "loyal" customers as those who deal with us regularly, who have bought from us recently, and who spend a large amount of money with us, either in absolute terms or as share of wallet. In other words, they are applying an entirely behavioral definition of the concept.

If we were to dig beneath the surface, we would find that many of those who buy from a company on a regular basis and who appear, therefore, to be loyal are not loyal at all, and certainly would not consider themselves loyal – in much the same way as they would not consider themselves to have a relationship with a company. For the same reason, many customers who have achieved the highest levels of so-called customer loyalty programs are not loyal, but rather are motivated solely by the accumulation of points.

Let me illustrate the point I am making, which is that many companies are deluding themselves by thinking that they have a large number of loyal customers, simply because they are defining loyalty in terms of available behavioral data. What they are doing, in fact, is confusing loyalty with retention. Customer retention is the behavioral concept; loyalty and relationships are emotional concepts.

Over the past few years, I have been fortunate to have worked on a number of projects with a major European retail chain – the assignment was to help management understand the concept of emotional loyalty. We conducted more than 30 two-hour interviews with a matched sample of behaviorally-loyal customers selected from the company's customer database. All were regular shoppers; all were behaviorally loyal. It became very clear in the interviews that some of these loyal customers were shopping every week at a particular store because it was convenient to do so; they wanted one-stop shopping, to get in and out quickly. Others shopped there because they enjoyed it, knew the staff, met friends there, felt comfortable going there, felt they were known and appreciated by the staff, etc. This segmentation was later validated

through quantitative measurement of the strength and nature of the relationship.

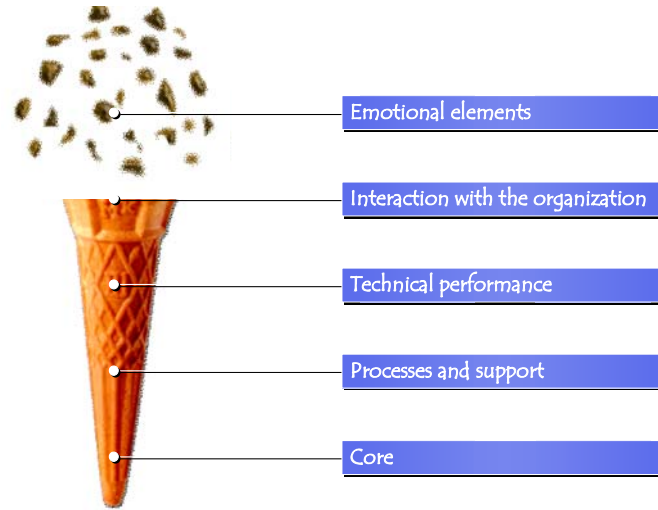
Within the behaviorally-loyal segment – those who appear to be loyal, based on their behavior and transactional data – some are more functionally loyal, and others are more emotionally loyal. The payback from each is very different. The emotionally loyal are much more likely to stay, to refer, to pay full price, deliver a higher share of spend, etc. When they were asked where they would shop if they were to move to another city or town, the functionally-loyal said they would find a convenient store (possibly a competitor's), whereas the emotionally-loyal indicated that they would seek out one of the client's stores, even if they had to drive some distance to find one. The message here is that we need greater insight into what drives this apparent loyalty. Without it, you may run the risk of assuming that they are all loyal. Functional loyalty is vulnerable loyalty.

Customer Satisfaction

The third concept that I believe reflects the dangers of relying on certain types of information is *customer satisfaction*. Many firms measure customer satisfaction and use it as a proxy for how well they are doing in serving their customers. Many track these numbers on a regular basis. But, let me suggest that we should be quite skeptical of customer satisfaction data, for the same reason that we need to better understand customer loyalty and value.

Many firms reduce customer satisfaction to a single number, when in fact satisfaction is a multidimensional concept. Unless you can answer the question “satisfaction with what?” you are not digging deeply enough into the concept of satisfaction. It is not a simple concept. Satisfaction is driven by many things. A model that I have developed to reflect the various drivers of customer satisfaction suggests that satisfaction is driven at five levels: (1) the core product or service being offered; (2) the various processes and support systems that a firm puts in place to interact with customers; (3) the firm's ability to get things right – the technical performance of its products and service; (4) the way in which the company and its staff interact with customers; and (5) the emotional connection that is developed between the customer and the firm – essentially how the customer feels about dealing with the company.

Drivers of Customer Satisfaction



We create value for the customer at each level of this “ice cream cone” model. The most valuable value and that which contributes to the most lasting form of satisfaction lies nearer the top – these are the “softer” elements of the value proposition, the interpersonal interaction with staff and the emotional connection with the firm or brand. The “hard” view of what drives satisfaction lies nearer the bottom – core product, technical delivery – yet that is what many firms tend to rely on because that is what they measure on a regular basis. Increasingly, however, these are “table stakes”; if you can’t get these things right then you have no business being in the business.

But let me suggest that a very great deal of what drives customer satisfaction has little or nothing to do with the products we are selling or with the prices we are charging. It has far more to do with how we treat customers and how they are made to feel as a result.

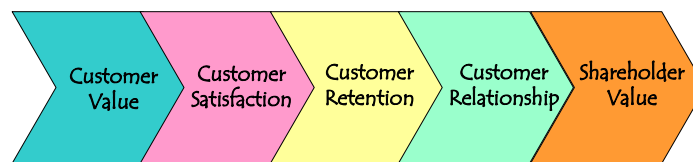
Let’s go back to the functionally-loyal and the emotionally-loyal retail customers. One is clearly more valuable to the firm than the other, yet in customer surveys both recorded the same level of satisfaction, because they are satisfied with different things. Thus, we may conclude that, as with cholesterol, there are *good* and *bad* forms of satisfaction. If a firm is creating “good” satisfaction, it is satisfying the customer on the things that will, over time, lead to the formation of an emotional bond, the “softer” side of the offer; contributing to HDL – high density loyalty. On the other hand, if a firm is creating satisfaction based largely on functional factors, which literally anyone can deliver on, this is “bad” satisfaction; leading to LDL – low density loyalty.

PITFALLS OF CUSTOMER KNOWLEDGE

There is very real danger in putting one's emphasis on a limited view of customer knowledge. We need to know the full story; to define our view of important concepts very broadly. What is customer satisfaction, what is loyalty, what is customer value? If we define these too narrowly, we run the risk of putting our faith in a narrow view of the knowledge that we need to make decisions. We may think customers are satisfied or loyal, that we have a relationship with them. We may think they are of little value, when in fact they are extremely valuable or have the potential to be so.

Companies that aspire to the creation of customer relationships need to be able to obtain information that will let them know how they are doing on the softer side as well as the harder side of dealing with customers. We need to know how well we are doing at each of four stages leading to the establishment of solid relationships. How well are we doing at creating value for customers, at creating high levels of customer satisfaction, how are we doing at customer retention, and how successful are we at creating genuine customer relationships? Each of these stages is a necessary precursor to the next following one. It's impossible to create customer satisfaction without offering something that the customer perceives to be of value to him or her. It's impossible to create a customer relationship without first succeeding at getting the customer to come back to do business again (retention). And, it's impossible to create long-term value for shareholders without creating lots of solid customer relationships.

Creating Value



Many firms spend little time defining customer value; that is, how well they are doing in creating value *for* customers. Their value proposition is very narrow and consists of a very functional, technical definition of what is being offered to customers and of customer needs that are being

addressed. In fact, there are many different ways that we can create value for customers; many things that we are not now offering them that will bond them more closely to us and for which they are willing to pay.

I set out almost ten years ago to try to better understand the concept of customer relationships. With research funded by the Royal Bank of Canada, I developed my first approaches to measuring the quality or strength of customer relationships, what I refer to as the emotional equity resident in the relationship we have with customers. I created what I now call my Relationship Equity Index, which is a multidimensional measurement tool that allows me to deconstruct the customer relationship into its constituent parts and dimensions, and to diagnose where it is weak and where it is strong. We create a 100-point scale and can pinpoint where each customer lies on this scale. Where we have purchase and profitability data available from customer databases, we can actually prove the payback to a company from moving the customer along the scale toward the solid, emotionally-loyal stage.

Research with many clients over the past ten years shows that those customers who may be counted amongst the emotionally loyal, those who have solid relationships with a firm, will deliver the following kind of rewards:

- they will give the firm at least 10% more of their business;
- they are approximately 30% more likely to remain customers of the firm; and
- they are more than 50% more likely to recommend the firm to friends and associates.

GETTING OUTSIDE THE BOX

To understand how well we are doing at creating lasting, solid, genuine relationships, we need different kinds of information or knowledge. We need to know not only how we are doing on the predictable, functional, technical things, but we need also to know how customers feel they are being treated, how they feel about dealing with us. We need to know what we can do to make them feel better, what we can address for them, what we can help them with, what we can take off their hands. This requires some “outside the box” thinking about what we need to know about these customers, about how we can create value for them, and about the kinds of customer needs we might be addressing.

But, one of the most important conclusions I have reached in recent years concerning the kind of customer information businesses tend to collect, is that, left to their own devices, customers will think inside the

box too. If we ask customers how we are doing, or how we can improve, they will most often respond in the context of what they expect of a company in our business. They will suggest improvements in product and service quality, more accurate deliveries, more options, and lower prices. When, in fact, if we knew more about how we could create more value for them, we may be able to take their eye off price to the point where they would be prepared to pay *more*.

The focus in most businesses when we look for information from customers is on how we can do the 4 P's of marketing better. We get caught up in an emphasis on the lower levels of the drivers of customer satisfaction that we looked at earlier. As a result, we compete in a league where most of the competition is doing the same thing and doing it as well as or better than we are. What we need to do is the unexpected. Don't just ask customers how we can do better what we are already doing.

A lot of the problem with understanding customers results from how we ask the questions and what perspective we bring to the definition of what we can do to improve. Last year, I was dealing with a wholesale food distributor whose goals were all expressed in terms of accuracy of delivery. Performance was measured at every turn in terms of on-time delivery, accuracy of order filling, number of backorders, number of stockouts, damaged products, etc. Data were collected continuously and reported weekly across the company. Employees were rewarded on the basis of how close they came to achieving 100% accuracy.

Is this stuff important? Of course it is. In fact, if you can't get technical product and service quality right these days, you may as well send the customer down the road to the competition. Most companies now have the technology to become very good at technical service quality. But, it may not create a competitive advantage. In fact, if you get really good at technical performance, the customer comes to expect it of you. So, how do you then gain an advantage in the customer's eyes in a very competitive market where superior technical performance is increasingly taken for granted? You look for *insight* into what else we can do for them.

We conducted between 30 and 40 90-minute interviews with clients of the food distribution company and asked some very broad questions. For example, what are the biggest issues you are facing today; what do you hate to have to face on a Monday morning; what are you most looking forward to; what do you worry about in your job? Food service managers for seniors homes told us that their major challenges related to menu planning and making dinner interesting for their residents. Such

knowledge, rather than data, created an opportunity for this client to think outside the box of what is expected of a food distributor.

Without the insight to be gained through a “softer” approach to customer research and knowledge generation, a firm runs the risk of focusing largely, if not exclusively, on the harder, more technical and functional, aspects of what we offer the customer. The value proposition covers only these predictable things. Meanwhile, what the customer is often looking for is the softer side.

MORE THAN A SUPPLIER

Your focus should not be simply doing better what you are already doing; the true lasting competitive advantage comes in doing for your customers what the competition hasn't thought of doing. It's not about what we do or what we make, but about what we can make possible for the customer. But, if the firm is limited in the kinds of information it has on its customers and on its performance, or if the definition of what information is needed is very narrow and limited to technical, automatically-captured internal data relating to behavior and technical performance, we will never get the insight needed to step outside that box and come to mean more to our clients than just another supplier of widgets.

Going back to what drives long-term customer satisfaction, we need to think more about what the customer's perspective is on things. Management is often thinking about technical stuff like product quality and on-time delivery, while the customer is concerned about whether the delivery guy tracks mud on her new broadloom or the fact that you don't return her calls quickly enough. So, the issue very often these days is not about the product, or, in my experience, even about price. The customer is often well beyond this, and thinking about quite different things.

In that environment, therefore, what we should be striving for is to come to mean more to them than the competition every will. That is what strikes me as important in customer relationships. The companies and brands with which customers have genuine relationships have, over time, come to mean something special to them. So, how do we create more meaningful relationships with customers? What data or knowledge or insight do we need? How can we come to know our customers so well that we can address higher-level needs and come to occupy a special place in their minds?

I have spent a great deal of time in the past couple of years, trying to better understand the notion of *meaning* in relationships – how some things and people come to mean more to us than others. If we apply that same kind of thinking to companies and brands, then we need to know how we can come to occupy a special place in the hearts and minds (especially the hearts!) of our customers. We need to know a lot more about the softer side of the interaction with customers and about how we make them feel.

GAPS IN CUSTOMER KNOWLEDGE

Let me leave you with two examples that I have uncovered through qualitative research where most businesses have virtually no customer knowledge; where there is a complete void and where there resides an opportunity to build knowledge and insight, and thereby gain an advantage over the competition.

The first relates to the fact that, in a B2B context, most companies I know spend little time trying to understand their customers' customers. When you think of it, the principal role of a B2B marketer is to make the client successful, to help the client look good in the eyes of their customers. Yet, the emphasis in most companies still seems to be on making the sale, without much thought given to how we can help the client succeed. Research that we should do on the customer's customers will serve two main purposes. It will help us better understand the client's business and send that very important message that we *do* understand. Secondly, it will allow us to come up with ideas for products, services and solutions that we can take to our client and that will allow them to look good in the eyes of their customers, for which *we* will get the credit. We need to look past our clients to better understand the issues they are facing in dealing with *their* customers. Then we can really help them through innovative solutions.

Finally, let me introduce you to the "almost customer." We all have them; or, more correctly, we all don't have them. I'm thinking here of prospective customers who want to be customers, want to buy our products or services, buy from our web site, eat at our restaurant, but we make it so difficult or uncomfortable for them that they leave, never to return. I have been devoting a lot of research time in the past year to the notion of the "almost customer." What we have found, again through qualitative research, is that customers out there are very frustrated at trying to deal with certain businesses, only to encounter rude staff, un-navigable IVR systems, confusing web sites, stupid rules, inconvenient opening hours, and more, that cause them to walk away without buying,

never to return. I am convinced that more business is lost through the almost customer phenomenon than through customer churn, yet we pay a great deal of attention to customer retention, to churn rates, to the customer we had but lost, but pay little or no attention to the customer we never had. We talk a lot about customer delight, but almost never talk about customer confusion, repulsion or disgust. We have a complete knowledge gap when it comes to the almost customer. I can't help but think that some money invested in how much business we are driving away would be money well spent indeed.

I have tried in these pages to take you on a tour of what I think of when I think of customer knowledge. It's more than what we know *about* our customers. It extends to how well we know them, what it is we know about them, what else we need to know to create high levels of customer satisfaction, retention, loyalty, and relationships.

The customer knowledge view in many firms is much too narrow and too "hard" or technical. It is often a superficial, data-driven view that barely skims the surface of what we really need to know if we are to be successful in developing solid long-term relationships with customers. We need more than data. We need real insight into their needs, at several different levels, and which of them we can address. We need to know the "*why*" that lies behind behavioral and transactional data. It demands a redefinition in many firms of what we offer them, what our value proposition might consist of, what we can do for them, what we can help them with, and ultimately what we can mean to them. Most importantly, I think, it demands a management view and a culture within the company that is broad-minded and less structured; less focused on the technical and the functional and the easily measured. It requires more relationships thinking, going beyond a customer focus to a relationship focus.