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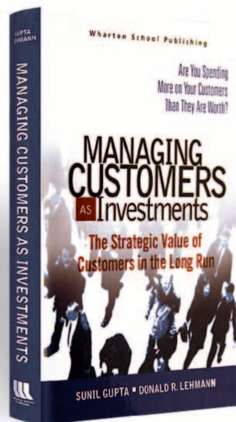
Vol. 28, No. 1 (3 parts), Part 1, January 2006 • Order # 28-01

SOUNDVIEW Executive Book Summaries®

FILE: FINANCIAL/ACCOUNTING



Are You Spending More on Your Customers Than They Are Worth?

MANAGING CUSTOMERS AS INVESTMENTS

By Sunil Gupta
and Donald R. Lehmann

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THE SUMMARY IN BRIEF

Customers are important assets of any company. What does your company do to make the most out of your relationships with your customers? Do you know, in explicit, dollars-and-cents terms, what value your customers bring to your business? The authors of Managing Customers as Investments *recognize the difficulties in finding and explaining the tangible impact of your efforts to attract and retain customers.*

In this summary, they offer a set of tools that shows you the correlation between your customer assets and the value of your firm. They explain the triggers that drive this value, and how to better manage your customers and, as a result, your shareholders' wealth, as well. They unlock the metrics, show you where you are and where you're going, and provide you with the tools and tips to make your customer-related efforts more efficient.

What You'll Learn In This Summary

✓ **How customers are assets.** Customers are typically the primary source of earnings for a company. If you can estimate the value of current and future customers, then you can determine the true value of your firm.

✓ **How to calculate the value of your customers simply.** If you know the profit generated from a customer, as well as your average retention/defection rate, you can use a very simple equation to estimate the lifetime value of that customer.

✓ **How customer value can drive your marketing strategies.** Effective customer-based marketing strategies take into consideration the value that a firm provides to a customer, and the value of a customer to the firm.

✓ **How your organization must change.** Shifting to a customer-based mind-set in your business means that old product-based practices and processes must be jettisoned.

Published by Soundview Executive Book Summaries, P.O. Box 1053, Concordville, PA 19331 USA
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MANAGING CUSTOMERS AS INVESTMENTS

by Sunil Gupta and Donald R. Lehmann

— THE *COMPLETE* SUMMARY

Customers Are Assets

Customers are the lifeblood of any organization. Without customers, a firm has no revenues, no profits, and therefore, no market value. Contrary to the commonly held view, creating shareholder wealth in the short run is not the main purpose of an organization. Long-run shareholder wealth is the reward for creating customer value.

The approach to linking customer and firm value discussed in this summary is based on a simple premise — that customers are typically the primary source of earnings for a company. If we can estimate the value of current and future customers, then we have a proxy for a large part of the value of a firm. If, for example, the average value of a customer to a firm is $100, and the firm has 30 million customers, then the value of its current customer base is $3 billion. If we factor in the firm's future customer acquisition rate and estimate the present value of future customers at $1 billion, then the value of its current and future customers is $4 billion. This estimate provides a good proxy for the value of the firm.

This approach differs from the traditional finance approach in two key aspects. First, unlike traditional finance, this approach builds from the bottom up by assessing the value of a customer. Secondly, it treats marketing expenditures differently than traditional approaches. If you believe that customers are indeed assets that generate profits over the long run, then marketing expenditures to acquire and retain these customers should be treated as investments, not expenses. ■

The Value of a Customer

The fundamental building block of the approach in this summary is the customer lifetime value (CLV), which is the present value of all current and future profits generated from a customer over the life of his or her business with a firm. This concept incorporates several aspects — the importance of not only current but also future profits, the time value of money such that $100 of profits today are worth more than $100 of profits tomorrow, and the possibility that customers may not do business with a firm forever.

To estimate CLV, two pieces of information are required: customers' profit patterns and their defection rate. The profit pattern is the profits (margin) generated from a customer over his or her tenure with the firm. The defection rate plots the pattern of the number of customers who stop doing business with a firm over a period of time.

Creating Metrics That Matter

Firms have historically faced enormous challenges in implementing the concept of customer lifetime value as a core business metric. This gap between theory and practice is a result of three major factors:

- **Data requirements.** Consider what data are needed to estimate the lifetime value of a customer. First, in order to know a customer's tenure with a company, one needs to track each customer or customer *cohort* (a group of customers acquired simultaneously). Second, for each customer or cohort, one needs to know its profit pattern over time, which requires projections of future profits. Third, one needs to know customer retention and defection rates over time.

The need for detailed customer data such as these has encouraged many companies to invest millions of dollars in creating customer relationship management (CRM) systems. While some companies have used these databases with spectacular results, most have failed.

- **Complexity.** In the zeal to create enormous databases, companies have lost sight of the big picture. Metrics

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Published by Soundview Executive Book Summaries (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions: $209 per year in the United States, Canada and Mexico, and $295 to all other countries. Periodicals postage paid at Concordville, Pa., and additional offices.

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The Value of a Customer

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that matter to top management must be clear, simple, forward-looking, and they must capture the big picture. CRM systems, in contrast, have become very complex and largely the domain of a firm's information technology arm, yet they have difficulty answering the simple question of what a typical customer is worth to the firm.

What is needed is a simple, easily understood metric that captures the spirit of customer lifetime value. Simplicity is key — simple methods are more likely to be used than their complex counterparts. For most decision-making purposes, it is enough to know the approximate value of the customer. Plus, when venturing into using new metrics, it is best to start with simple methods and see how they affect decisions. Additional precision and sophistication can and will follow, if necessary.

- **Illusion of precision.** Even with the most detailed and sophisticated data and modeling, estimating CLV requires a host of assumptions and subjective decisions that make it far less precise than many would like to believe.

A Simple Approach

For typical situations, the lifetime value of a customer is simply 1 to 4.5 times the annual dollar margin (profit) that is generated from the customer. To arrive at this simplification, one must make three assumptions:

1. Profit margins remain constant over the life of a customer.
2. Retention rate for customers stays constant over time.
3. Customer lifetime value is estimated over an infinite horizon.

The customer lifetime value (CLV) simplifies to the following equation:

$$CLV = m\left(\frac{r}{1 + i - r}\right)$$

where the following is true:

- m = margin or profit from a customer per period
- r = retention rate (expressed as a decimal or percentage, e.g., 0.8 or 80 percent)
- i = discount rate (expressed as a decimal or percentage, e.g., 0.12 or 12 percent).

The factor to which the margin (m) is multiplied is the *margin multiple*. This multiple depends on the customer retention rate (r) and the company's discount rate (i). The retention rate depends on product quality, price, customer service, and a host of related marketing activities. For most companies, retention rates are in the range of 60 percent to 90 percent.

If the assumptions inherent to the equation do not hold, the margin multiple changes, but not much. If margins grow over time, the multiple ranges from 1 to 6, instead of 1 to 4.5. A gradually increasing retention rate has only limited impact on the margin multiple. Finally, limiting the length of projection to five to seven years (a common practice) has essentially no impact on the multiple for low retention cases, but biases the multiple downward when retention rates are high. ■

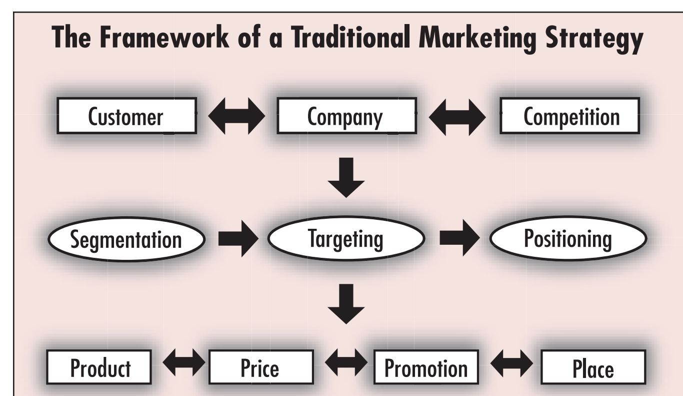
Customer-Based Strategy

For years, managers have reiterated the need to focus on customers, provide them good value, and improve customer satisfaction. In fact, metrics such as customer satisfaction and market share have become so predominant that many companies not only track them but also structure employee rewards based on these measures.

This kind of customer focus misses one important component — the value of a customer to a company. Effective customer-based strategies take into consideration the two sides of customer value: the value that a firm provides ***to*** a customer, *and* the value ***of*** a customer to the firm. This approach recognizes that providing value to a customer requires marketing investment and that the firm must recover this investment. It combines the traditional marketing view, where the customer is king, with the finance view, where cash is king.

Traditional Marketing Strategy

A long-standing approach to marketing strategy discussed in most marketing and educational forums is depicted in the following figure:



The first component of this framework is the analysis of customers, company and competition (the three Cs) to understand customer needs, company capabilities, and competitive strengths and weaknesses. If a company can fulfill customer needs better than its competitors, it has a market opportunity.

The second component is to formulate the strategy for segmentation, targeting and positioning (STP). Customers are different in terms of their needs for products and ser-

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Customer-Based Strategy

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vices, so a firm has to decide which of these customer segments it should target. After selecting a target segment, the firm must decide on the value proposition or positioning of its products with respect to competitive offerings.

The final component of this framework is to design the four Ps — product, price, place, and promotion or communication programs.

Implicit in this structure is an emphasis on providing value to customers by satisfying their needs with little focus on cost. Metrics used to measure success in this framework, such as sales or customer satisfaction, drive decisions. Missing from the framework is the explicit recognition or measurement of return on marketing investment.

Value to the Firm Vs. Value to the Customer

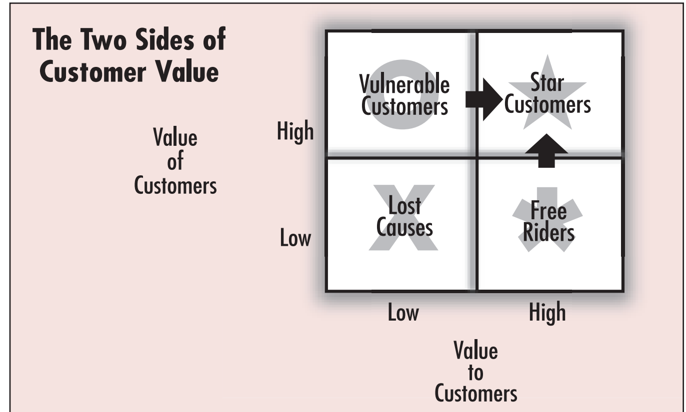
Customer-based strategy recognizes that marketing investment in customers must be recovered over the long run. Specifically, this approach highlights the two sides of customer value — the value a firm provides *to* a customer (the investment), and the value *of* a customer to a firm (the return on this investment).

A firm provides value to a customer in terms of products and services, and a customer provides value to a firm in terms of a stream of profits over time. Investment in a customer today may provide benefits to the firm in the future. The firm must assess that potential return. Since not all customers are equally profitable, investment in customers should vary by their profit potential. (See figure on right.)

The Two Sides of Customer Value

With this in mind, the following are the four key scenarios and their different values to and of customers:

- *Star Customers* get high value from the products and services of the firm, but they also provide high value in return, in the form of high margins, strong loyalty, and longer retention time. The relationship is balanced, equitable and mutually beneficial — a true "win-win."
- *Lost Cause* customers do not get much value from the products and services of the firm. Absent economies of scale — when many Lost Causes engage the firm — if the company cannot migrate these customers to higher levels of profitability, it should consider either reducing its investment in them, or even dropping them.
- *Vulnerable Customers* provide high value to the firm but do not get much value out of the company's services. These may be long-standing customers who, largely through inertia, remain loyal.
- *Free Riders* are the mirror image of the Vulnerable Customers. These customers get a superior value from using the company's products and services but are not very valuable to the firm. For whatever reason, these customers "exploit" the relationship with the company, appropriating the lion's share of the value.



Successful customer-based strategies require a company to consider both its investment in customer relationships, as well as the return on that investment.

Drivers of Customer Profitability

Customer profitability is influenced by three factors:

1. Customer Acquisition. In recent years, many companies, particularly the dot-coms, went on a binge to acquire customers in the belief that customer acquisition and rapid growth are critical to success. This belief was so strong, several companies had a mandate to acquire customers *regardless of the acquisition cost*. These costs can be substantial, and a surprising number of companies spent too much on customers who gave them too little in return. (See sidebar on next page.)

2. Customer Margin. While customer acquisition focuses on growing the number of customers, increasing customer margin focuses on growing the profit from each existing customer. In the context of retailing, this means increasing same-store sales rather than opening new stores. Growth can be achieved through a variety of methods, such as up-selling and cross-selling related products.

3. Customer Retention. In their zeal to grow, many companies focus almost exclusively on entering new markets, introducing new products, and acquiring new customers. However, these companies often have a "leaky bucket" — as they add new customers, old ones defect from the firm. On average, 20 percent of a company's customers defect every year. This means that, roughly speaking, the average company loses the equivalent of its entire customer base in about five years.

Studies show that the cost of acquisition is generally much higher than the cost of retaining existing customers. Therefore, it seems obvious then, that a firm should focus on retaining its existing customers. Unfortunately, many companies don't even know their customer retention or defection rates. ■

For additional information on how one flower company acquired customers, go to: http://my.summary.com

Expensive Customer Acquisition

Like most Web-based startup companies, compact disc retailer CDNow focused heavily on acquiring new customers in its early days. Its customer acquisition strategy used traditional methods such as TV, radio and print advertising, as well as some innovative programs. To many, including Wall Street, this made sense — a startup has to acquire new customers to become a viable business. During 1998–1999, financial markets started rewarding companies with strong nonfinancial measures, such as number of customers.

But the numbers simply did not add up. Based on company reports, the average customer acquisition cost for CDNow ranged from $30 to $55 in 1998–1999. During the same time, annual gross margin per customer was consistently in the range of $10 to $20. CDNow reported an average customer retention rate of 51 percent to 68 percent, a number that became increasingly difficult to maintain with increased competition on the Web and the ease with which customers could click over to a competitor.

Even assuming a favorable discount rate of 12 percent (for a risky young firm, the rate is likely to be higher) and a higher-than-reported retention rate of 70 percent, the lifetime value of a CDNow customer is 1.67 times its annual margin, or $16.70 to $33.40. Unless some unknown growth strategy was involved, the business model of CDNow was fatally flawed. Partly due to this expensive customer acquisition strategy, CDNow reported a loss of over $100 million at the end of 1999. In July 2000, CDNow was bought by Bertelsmann.

Customer-Based Valuation

Traditional approaches to determining a firm's valuation haven't always been helpful. The difficulty of valuing high-growth companies, such as dot-coms, by traditional methods led to a series of new metrics and methods. One of these was the number of customers, or "eyeballs." This metric was based on the assumption that growth companies need to acquire customers rapidly in order to gain advantage and build a strong network. Things changed after the dot-com bubble burst. These days, financial analysts are skeptical of such nonfinancial metrics, *particularly* eyeballs.

The value of a customer provides a critical link between marketing decisions and firm value. All the profits and cash flows (forming the basis of firm valuation) come from customers buying a firm's products and services. If one can assess the lifetime value of one customer, then one can also estimate the value of the entire current customer base. Knowledge of customer acquisition and retention rates enables one to estimate the number and value of future customers. The value of a single customer provides the building block for forecasting the cash flow — and, thus, the value — of a firm.

The purpose of any good valuation model is not to simply estimate the value of a firm, but also to provide guidelines to improve it. What are the key drivers of firm value? Since customers form the core of any business, and analysis suggests that customer value provides a strong proxy for firm value, factors that drive customer value directly impact firm value. There are two aspects on which to focus: the impact of marketing actions on firm value, and the impact of marketing and financial instruments on firm value.

Impact of Marketing Actions on Firm Value

Marketing actions are generally designed to improve acquisition costs, margins, and the customer retention rate. While many companies ignored customer acquisition costs during the dot-com bubble era of the late 1990s, there is now a greater emphasis on cutting those costs. Programs designed for cross-selling and up-selling, as well as customer loyalty programs, are currently employed to improve customer satisfaction and, thus, customer retention. While many of these programs serve multiple purposes, marketing managers have to allocate resources to several competing marketing programs. How should they make these critical decisions?

One way to do this is to examine how changes in acquisition costs, margins, and retention rate alter customer and firm values. Analysis has shown that improving customer retention has the largest impact on customer value. Specifically, it is estimated that improving retention by 1 percent has an effect on customer value five times larger than a 1 percent improvement in margin, and 50 times larger than a 1 percent improvement in acquisition cost.

Impact of Marketing and Financial Instruments

The discount rate or cost of capital is a critical variable in calculating the net present value of any cash flow stream and firm valuation. The finance community has for years focused on measuring and managing a firm's cost of capital. In contrast, the marketing and business community has just begun to measure and manage customer retention. Therefore, it is important for executives to understand the relative impact of marketing and financial instruments on firm value so they can allocate time and resources appropriately.

To compare the relative importance of marketing and financial instruments on firm value, focus on customer retention as a marketing instrument, and the discount rate as a financial instrument. Analysis shows that, on average, a 1 percent improvement in customer retention enhances customer value (and in turn, firm value) by about 5 percent. A similar decrease in the discount rate increases customer, and therefore firm, value by less than 1 percent. Thus, the impact of retention is more than five times the impact of the discount rate. ■

Customer-Based Planning

Since the value of customers is so critical, managers must know how to improve that value and, as a consequence, the value of their firm. One key way to do this is to use a planning process based on customers and customer data, a process consisting of these four steps:

1. Identify customer objectives.

2. Understand sources of value to customers.

3. Design marketing programs with these things in mind.

4. Use appropriate customer metrics for assessing the effectiveness of your programs.

Customer Objectives

There are three ways to organically grow your business — acquire new customers, retain existing customers, and get existing customers to generate more revenues and profits. Which method should be the focus of your energy and resources? One simple, effective way to address this matter is to create a profit tree for your business — a representation of your business that traces all the branches through which profit flows to the organization. This tree also highlights the critical bottlenecks that help you identify key customer objectives.

To generate such a tree, you must effectively follow a potential customer through various steps in the organization to see how that customer generates profit for the firm. This process also highlights the various decision points for you, and puts in explicit terms such aspects of your business as how you define your market, how you define your target customers, what your client conversion rate is, what types of clients you serve, what the average value of a client is, and more.

Such an analysis brings three points into clear relief:

1. You cannot design effective marketing programs without having a clear sense of the key decision points in your profit tree.

2. Programs cannot be viewed myopically, since most programs impact several aspects of your business. This means each manager should define clear and measurable objectives for such programs.

3. The analysis provides concrete guidelines for marketing investment. This provides a tangible metric for designing and evaluating a program.

Understanding Sources of Value to Customers

It is essential to understand the value your product or service provides to a customer. You must understand why a customer should buy from you and not from your competitors. Understanding the sources of customer value helps design effective programs.

For additional information on a sample profit tree, go to: http://my.summary.com

Marketing Lipitor

Pfizer's cholesterol-reducing drug, Lipitor, was a late entry into a market whose leading medicines were producing more than $1 billion in annual sales. Lipitor became a market leader quickly not by siphoning off customers from competing drugs, but by expanding the market with new customers.

Although clinical trials showed that Lipitor had slight superiority over other drugs of its kind in reducing bad cholesterol (LDL) levels, it did not have studies to prove that individuals treated with Lipitor experienced fewer deaths from heart diseases.

Instead, Lipitor teamed up with the American Heart Association to launch a national ad campaign which emphasized that almost 57 million Americans were not meeting their LDL standards, and 26 million had LDL levels high enough to warrant drug treatment.

Pfizer supported this campaign by sending its message (and its considerable sales force) to general practitioners, in addition to cardiologists. This resulted in enormous sales of the drug — nearly $9.3 billion in 2003 alone.

Customer value depends on the benefits offered and the costs involved. Value is very different from cost — an item costing only pennies to produce may be worth thousands of dollars if it solves an important problem efficiently. Likewise, a product that is expensive to produce may have little value.

Customer value involves two basic notions of value — category value, which assumes no competing brand exists; and relative value, which involves comparison of the product with other products in the category. In general, the value provided by a product or service to customers can be grouped into three categories:

- **Economic Value.** What economic benefit does a customer derive from using a product? What is the net monetary advantage gained from using a product, versus its alternatives, over the life of the product? As important as economic value can be, it is not the only, or even the most important, basis for purchase. The *relative advantage* of a new product is only one of the many factors for its success. Other factors include *compatibility*, *complexity*, *observability*, *risk* and *divisibility*.
- **Functional Value.** This is defined by those aspects of a product that provide measurable, functional or utilitarian benefits to customers — the performance features of a product. There are well-developed research methods to quantify the value that customers derive from each functional aspect of a product. One of the most commonly used methods is conjoint analysis, in which customers compare different alternatives and consider

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Customer-Based Planning

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the trade-offs involved. By asking customers to rate different products, researchers learn their preferences, which can then be fed into product and marketing designs and pricing strategies.

● **Psychological Value.** Psychological value focuses on intangibles such as brand names, as well as images and associations with a certain brand. As markets mature and competitors catch up with one another in technology and product features, psychological benefits become key differentiating factors. Although measuring psychological value poses a major challenge due to the intangible nature of the benefits, significant research has been done to measure *brand equity* — the value of a product beyond its economic and functional value.

Designing Marketing Programs

The nature and number of marketing programs that can be designed to influence customer value and achieve customer objectives of acquisition, retention or expansion are limited only by your imagination and creativity. Some programs to consider include the following:

● **Managing customer "touchpoints."** Value does not come solely from a product's functional features. Equally important are the emotional, self-expressive and experiential benefits that occur at every touchpoint with a customer. These and other factors (store layout, interaction with employees, and other aspects of the customer's interface with your business) comprise the customer's experience. All of these factors must be integrated in order to generate a positive experience for the customer, and to help ensure that you retain his or her business.

● **Loyalty programs.** Since American Airlines introduced its frequent flier program in the 1980s, loyalty programs have become ubiquitous in nearly every industry, from airlines to hotels to supermarkets. More and more companies use these programs for developing relationships, stimulating product or service usage, and retaining customers. The design of the program is key: To get customers to buy into it, you need to offer the right things to the right people.

Assessing Effectiveness of Programs

You cannot manage something that you cannot measure. Metrics matter in this regard, but there can be overkill — measuring too many things can lead not only to a lack of focus, but also to an unnecessary diversion of resources. Therefore, management must design a set of relevant metrics that (a) impacts business profitability, and (b) can be monitored easily on a regular basis to give the firm a sense of its business health.

Firms should monitor two sets of metrics: customer-focused (which assess value to the customer) and company-focused (which help assess value of the customer to the company). The first category includes measures such as awareness, associations, attitude, trial/usage, loyalty, and word-of-mouth activity, as well as satisfaction.

The second category of metrics includes the building blocks of the value of a customer, some diagnostics about where value is migrating from, and the costs of acquiring and retaining customers. These numbers directly enter the CLV formulation and hence are critical to measure. They also provide criteria against which to measure and evaluate marketing program spending. ■

Johnson & Johnson Opens Arteries and Opportunities

Many companies use the concept of economic value in launching new products and setting prices. For example, Johnson & Johnson makes stents — tiny metal pieces used in patients to prop open clogged arteries after an angioplasty procedure. Since the arteries tend to get re-clogged with scar tissue, about 15 percent of patients treated with conventional, bare-metal stents need a second angioplasty procedure within six months.

The newer generation of drug-coated stents reduces the need for repeat procedures to less than 5 percent of the cases. This 10 percent reduction in complication provides a significant economic benefit to insurance companies and hospitals alike. As a result, Johnson & Johnson was able to launch its stent effectively with a price of $3,195 in the United States, more than $2,000 above the price of a metal stent.

Customer-Based Organization

The value of a customer is more than a concept, tool or metric. It is a mind-set. Its implementation requires a cultural change within the organization and needs to be supported by appropriate changes in the organizational structure and incentive systems.

From the perspective of a firm's organizational structure, a customer focus requires dramatic changes. For example, a firm with a focus on product management will have managers of different products trying to maximize their own profitability to fit a product-centric agenda. This structure does not facilitate the transfer of relevant customer information across departments. In fact, in many cases, conflict will arise between departments.

Customer management provides a complete picture of a customer across products, while a product management

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Customer-Based Organization

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system looks at one product at a time, and therefore provides only a partial view of a customer. Therefore, the product management system is deficient for at least two reasons. First, each product manager knows whether a customer buys or does not buy his or her product, but does not know the firm's share of that customer's wallet. This lack of information can lead to many potential problems. A second major problem with the product management system is that it can create inherent conflicts among product managers and departments — among them communication disconnects and incentive-related hoarding of resources.

Incentive Systems

A new organizational structure must be supported by an appropriate incentive system to reward employees — an incentive system with two objectives. These are:

● First, the system should be designed to avoid inter-product conflicts. This can only be achieved if the objective of each manager is not to maximize the profitability of his or her brand, but rather to maximize the profitability of a customer.

● Second, as the metric changes from brand profitability to customer profitability, the incentive system should also recognize and reward the key elements that drive customer profitability. For example, customer retention has the largest impact on customer profitability, but most companies reward their sales force on the basis of either total revenue or acquisition of new customers. A focus on revenue misses critical cost elements, and a focus on customer acquisition can lead to disconnects where sales forces are compensated solely or mostly on the basis of new accounts acquired.

Appropriate Training

Incentive systems can change employee behavior to make it compatible with a firm's objectives, but it must be supported by appropriate training. While a product orientation requires an employee or a manager to be an expert in his or her product only, a customer orientation requires that employees know about multiple products and understand customer needs more than product characteristics. This broadening of employee knowledge requires new skills and training.

Additionally, a customer orientation means that employees "own" a customer and, consequently, customer problems. This cultural change also requires training and appropriate structure to support such behavior.

Front-line employees must also receive specific training. These are the people with whom your customers come into contact most often. How they behave and interact with customers has a critical impact on customer satisfaction and retention.

Common Mistakes

Simply proclaiming a customer-based strategy is not enough: It must be applied sensibly. The biggest problems in doing so tend to stem from taking a myopic view of its implementation. Several common flaws are then prevalent, including:

● **What's in it for them.** Many so-called customer strategies focus on what's in it for the company, and largely ignore what's in it for the customers. The consequence is often optimistic (and unfulfilled) forecasts, as well as unplanned customer defections.

● **Failing to consider what they will be when they grow up.** Never assume customers will remain as they are at present, and ignore the pattern of margin likely to occur over time.

● **Rose-colored glasses.** This assumes that "great things are possible" in terms of growth in both customers and margin per customer. People sometimes mistake possibilities for probabilities when they should balance current results with rational exuberance.

● **Alone they may be trivial, but together they matter.** A common manifestation of this thinking occurs in evaluating developing economies, where low income averages lead many firms to rule out entire countries. This approach ignores the fact that potential often exists even if the majority of the population were not high-potential customers.

● **No customer is an island.** Even small customers destined to remain small can be important because of what they can do to influence others.

● **It's about us.** Customer-based strategy can lead to inadequately accounting for competition. This manifests itself in unjustified complacency, assuming current customers are more secure than they are, and in being overly optimistic about growth prospects.

● **Throwing out the baby.** Totally dismantling product-based or brand-based organization structures in favor of a customer-based structure is not advisable. Successful organizations will find ways to integrate these different perspectives. ■

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Managing Customers as Investments*, you'll also like:

1. *The Loyalty Effect* by **Frederick Reichheld.** Reichheld shows how the longer customers stay with a firm, the higher the profits generated from them.
2. *The Agenda* by **Michael Hammer.** Hammer, one of the world's foremost business thinkers, creates a map to help businesses survive in today's customer-dominated era.
3. *Scoring Points* by **Clive Humby and Terry Hunt with Tim Phillips.** The authors reveal the secrets behind one of the world's most successful retail customer loyalty programs.
4. *The Brave New Service Strategy* by **Barbara A. Gutek and Theresa Welsh.** The authors explain how to differentiate between true relationship businesses and what they call "encounter" businesses.
5. *The Customer-Centered Enterprise* by **Harvey Thompson.** Thompson teaches you what steps you need to take to make your business customer-centered.