

## Most Valuable Players

To make smarter investments, CMOs must develop a deeper understanding of the drivers—and destroyers—of customer value

BY DAVID REIBSTEIN

**M**OST MARKETERS HAVE COME TO ACCEPT that their interactions with consumers come primarily from behind focus-group mirrors. Ironically, marketing has traditionally been the function that sits the furthest from the customer. Rarely do marketers have direct access to the people who purchase their company's products or services.

The CMO of the future can't accept this distance.

A lack of direct interaction with customers inhibits marketing executives from considering investments outside their traditional communications domain. Take customer service, for example. While most marketers certainly use customer satisfaction surveys as a way to measure customer service (72 percent of respondents to CMO's June RealityCheck survey

said they track customer satisfaction metrics), few take the extra step to measure how customer satisfaction relates to financial results. In other words, few really understand what an additional point of customer satisfaction is worth.

Customer service metrics must go beyond simple satisfaction in order to measure customer *value*. Understanding satisfaction without understanding value leaves you with an incomplete equation.

While increasing satisfaction can be a very ethereal concept for senior management to embrace, increasing value is grounded in economic reality. This reality ultimately can help the CMO put investments in customer satisfaction on the same level as more traditional—and measurable—marketing communications activities.

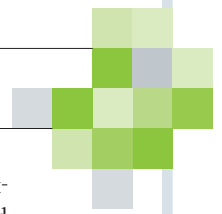
The information that you need in order to develop an understanding of your customers' value may already exist. But it's often overlooked, particularly in two places that are rich with customer interaction data: the call center and the company website.

### We're Here to (Self-)Serve You

Retail banking, for example, doesn't really occur inside a branch any longer. Many branch interactions have been replaced by ATMs, call centers and online banking. Need to transfer funds? Do it online or at your ATM. Need to order checks? Use the call center's voice response unit (VRU) and follow the prompts. Slowly but inexorably, banks and other businesses have learned that the best they can offer in customer service is often self-service. (When was the last time you *didn't* pay at the pump?)

Retail banks capture all their self-service customer interactions in the kind of databases that any enterprising marketer can access. This information, in effect, is a customer service nervous system that you can use to evaluate where and how investments to improve service and satisfaction (while increasing customer value) might earn a significant financial return.

Here's an interesting example from one of the nation's largest financial services companies, which has made significant investments in how it sets up and supports new customers. (Bear with me because, despite what many marketers think, it's this seem-



ingly mundane detail of setting up customers in “the system” that can have more impact on loyalty and profitability than a lifetime of glossy brochures.)

### **PIN Cushion**

At this bank, new customers are faced with filling out many forms; we all know the drill. Some of these forms are for the basics: making sure the bank has the correct address, ensuring that accounts link to each other as desired, choosing the proper menu of services and the like.

In the mix of required information, new customers also find a series of forms related to how they will interact with the bank. Security policies at the bank require new customers to furnish three numbers in order to access their account information over the phone or via the Web: their account number, their Social Security number and a temporary personal identification number (PIN), which is supplied by the bank.

Customers must use the temporary PIN the first time they access their account by phone or online. During that first interaction, the customer is prompted to choose his permanent PIN to use thereafter.

Sounds straightforward enough. The problem is that the temporary PIN assigned by the bank is a random number. Customers often forget or misplace the PIN, and as a result, they fail in their initial attempts to access their accounts or conduct any other transaction with the bank by phone or online.

### **Failure to Communicate**

It might not sound like a big deal, but the impact on profitability has been significant. Approximately half of all new customers are unable to interact with the bank electronically. The extra step the customers need to take to complete the transaction—a conversation with a customer service rep (usually after an exasperating, several-minute queue)—has reduced bank profits by \$2 million per year.

And this is just for one simple call. Remember that banks pay several dollars for every nonelectronic customer interaction (compared to approximately 50 cents for a self-service, electronic transaction). When banks provide free checking, free electronic banking, free ATM usage and many other gratis

services, it’s easy to see how just a few additional call center interactions with support personnel can quickly make a customer unprofitable. In this example, the unprofitable customers are also dissatisfied with their experience, because they can’t access their accounts easily.

Every experience is an education. When customers fail at their initial attempts to interact with the bank electronically, they tend to rely more heavily on the call center for their future interactions. In other words, the bank has essentially been train-

The lesson here? By investing in understanding how and where customer value is created or destroyed, with a focus on targeted customer segments, chief marketing officers can identify potential improvements and changes that can—and should—be made to the ways a company interacts with its customers. It doesn’t matter whether that interaction takes place in person, on the website or over the phone.

The best place to start is with the information already available to you. Accessing and

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ing its customers to be unprofitable. Its systems and processes have reduced the value of new customers.

### **Conflicting Agendas**

The root of the problem in this case was discovered during an analysis of the bank’s millions of VRU interactions using customer-behavior intelligence software developed by ClickFox. These problems could only be identified when the data from customer interactions was closely analyzed and compared against the system structure, which reflects the assumptions of what will and won’t work for customers.

In this case, the bank’s marketing, customer service and security functions have had conflicting agendas, to the detriment of the customer’s experience and, ultimately, the bank’s profitability.

The bank is still considering its options for addressing the problem. The fix itself may be relatively simple—allowing customers to select their own temporary PINs, for example—but the challenge lies in reaching consensus among the bank’s different functions.

analyzing the data inside your Web servers and your call center’s VRU can help you map out the sources of customer value. From there, you can promote the behavior that builds value or eliminate current barriers to value.

Sometimes, it can be as simple as changing how a customer creates a new PIN.

Deeper insights into the drivers of customer value can help CMOs connect softer marketing metrics, such as customer satisfaction, to real financial outcomes. That, in turn, will help them adequately consider the right mix of marketing investments to bring to senior management.

There’s something to be said for getting closer to customers and developing a better understanding of their interactions with your company. It’s time for CMOs to step out from behind the mirrors and into the center of the action. ●

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