

Customer Decision Management: Focusing customer relationships on delivering value

By Anthony Nygren

Customer Relationship Management can be a valuable approach to maximizing efficiency and increasing the lifetime value of customers. Even when implemented successfully, however, it can also end up being little more than a system for measuring marketing effectiveness and increasing customer satisfaction. But wait a minute, aren't marketing performance and customer satisfaction things that should be measured, analyzed, and optimized? Yes. But CRM should be more than that—and can be, as long as CRM is driven by CDM, or Customer Decision Management. CDM is a process for understanding the target customer decision-making process, identifying the key decision points and influences, and then aligning resources with those key points to positively influence those decisions.

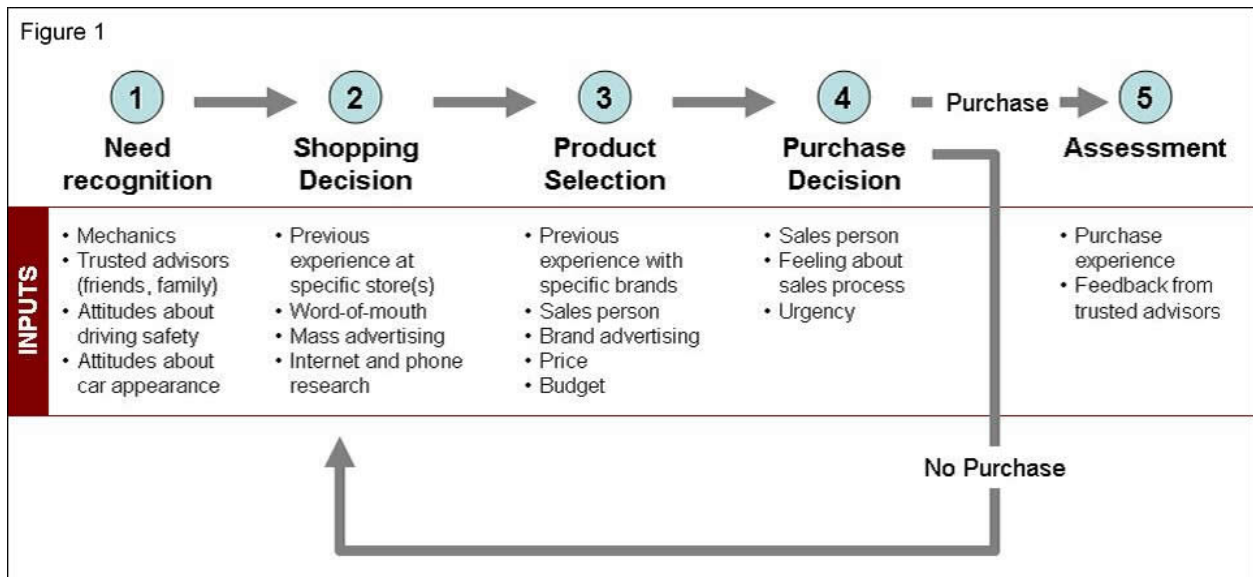
Recently, companies have been focusing much more seriously on customer satisfaction and customer communication analytics. While on the whole this effort has produced positive results, it has also produced a tendency to think of these initiatives as ends, rather than as the means towards increasing lifetime customer value. Certainly, improving the satisfaction of customers will almost always improve customer value; the point is that there are many degrees and causes of satisfaction and many ways to achieve it. Some ways are more efficient and have a more significant impact on customer value than others.

The same is true of measuring the performance of various marketing activities. Measurement and improvement of this performance will produce results. However, there is a risk of being so immersed in watching and adjusting “dials” to produce the best performance that there is no thinking done as to whether these are the best activities to reach customers. The result, paradoxically, is a potential loss of efficiency as money is spent on activities that have a limited potential to influence.

Putting customer relationship management efforts into the context of Customer Decision Management eliminates the risk of inefficiency and waste. By focusing on customer decisions, you ensure that your resources are aligned to maximize top- and bottom-line results. Understanding the relationship between different levels and causes of satisfaction and, for example, customers' willingness to purchase more, or to recommend a product/service to others leads to customer satisfaction efforts and metrics that produce increased revenue and decreased costs, rather than simply producing “happy” customers. Likewise, understanding the sources of information for decisions—and their relative influence—leads to marketing programs that increase the width of the top *and* bottom of the marketing/sales funnel, rather than just the bottom.

To do this, CDM begins with the development of a customer decision flow. A customer decision flow delineates a decision-making process for the target customer: the initiating event, action or thought, the sources of information, the development of a potential solution set, the application of decision criteria, the ultimate decision, and the feelings about the decision post-execution. Each decision point is also populated with inputs to the decision—the sources of information and influence that affect the outcome. By studying and charting this process, one is able to identify the key points where filtering takes place, and where the application of marketing and/or sales resources could positively affect that filtering process.

As an example, consider the process of buying tires for a car. Figure 1 shows the customer decision flow for tire buying, based on in-depth interviews conducted with a sample of recent tire buyers. Armed with this decision flow, a tire retailer was able to identify the key decision points and influences, and thus make effective changes to its marketing, merchandising, sales, and pricing strategies.



The first step in the tire buying decision-making process, as is often the case, is need recognition. Once the need arises, there is a decision made as to where and when to go shopping to meet the need. When the customer has selected and arrives at the store, there is another decision made about specific product selection. Finally, there is a go/no-go decision about purchase and an assessment of the purchase experience. Along the way, decisions are influenced by—among other things—friends and family, traditional advertising, internet and phone research, and the in-store experience.

Some of these influences, or inputs, are channels or sources of information that can, relatively easily, be controlled by the store: print and radio advertising, for example. Some of the inputs, however, are much more difficult to appropriate, such as store location, or take more time to develop, such as previous shopping experience or good word-of-mouth. When ultimately analyzing the potential leverage of each of the inputs compared to cost and capacity to control the input, the tire store found that maximizing the potential of the in-store experience represented the best short- and long-term return. By approaching the changes to the experience from the perspective of CDM, the store was able to focus on improvements that really delivered value: offering name brands at good prices and providing guidance to the tire buyer instead of pressure. The result of these efforts was that this retailer was able to gain 5% market share in a mature industry in a down market.

What's true of consumer-oriented retailers is equally true of business-to-business technology companies. In the case of a manufacturer of computer hardware equipment, research into the decision-making process of target prospects—those who were not buying from the company—highlighted the key points in the process that represented the biggest opportunity for growth. In this case, quantitative and qualitative research with non-customers revealed a decision flow in which the pivotal decision was vendor selection. For a large percentage of non-customers, need recognition was almost immediately followed by a decision to go to a single, known vendor (the market leader) to meet the need. In other words, every time a large portion of the market needed a piece of this kind of equipment, they went immediately to the market leader and all other vendors were entirely shut out of the decision-making process. For the equipment manufacturer trying to gain market share and increase revenue, then, the allocation of resources had to focus on the beginning of the flow—prior to the initial selection of vendors—in order to affect positively the ultimate outcome.

For both the tire retailer and the computer equipment manufacturer, focusing on CDM provided clarity on the levers for improving customer value. By identifying the key points in the decision-making process, they were able to find the best places to allocate their resources most efficiently and to capture opportunities most effectively. Measuring and improving customers' and prospective customers' feelings or propensity to recommend or responsiveness to marketing campaigns feels good and can produce positive results. However, focusing on these things alone will never deliver the big prize—capturing significant market opportunities with maximum efficiency. Because customer decisions are always at the heart of these market opportunities, it is with those decisions that customer relationship management should begin and end.