# Relationship Value Breakthrough

**To compete on relationships, measure *Relationship Value*.**

*Relationships drive business. A new metric--Relationship Value--makes it possible to measure the underlying relationship development process, critical to both strategy execution and value creation. Relationships are built one Interaction or experience at a time--over a lifetime. Interactions are the "cause" and Relationship Value is the "effect" in relationship cause-and-effect. Relationship Value*:

- Is a Key Performance Indicator (KPI) for relationship development and a leading indicator for profit and satisfaction,

- Solves the critical issue of the Relationship Age--distilling insights from the chaotic crush of Interaction data coming from internal systems, the Internet, smart mobile devices, Social Media, and Communities, and

- Operationalizes that intelligence in the context of CRI (Customer Relationship Intelligence) and Social CRI (Community Relationship Intelligence).

## The Relationship Value Metric is Elegant.

With Relationship Value, Frontline Staff and their Managers (users) monitor Interactions as they occur to gain insight into effectively developing individual relationships and analyze progress against a norm. Relationship Value

- Measures whether an Interaction moves the relationship forward or backward, and

- Expresses the cumulative effect of a series of Interactions in developing a relationship.

It takes a series of Interactions over time to develop a relationship. It is the cumulative effect of the Interactions in developing the relationship that is determinative--not what Interactions were used or even how many--as long as the Interactions execute a cohesive, integrated Tactics Plan, over time. Many alternative Interaction combinations are possible.

Relationship Value makes details of Interactions operationally immaterial for the most part. Relationship Value measures the cumulative effect, essentially becoming a numeric proxy for the underlying Interactions, enabling a strategic overview.

When users view accumulated Relationship Values graphically, they can see how deep the relationship is becoming without getting buried in the Interaction details. The user can decide what to do next to effect the outcome in the context of typical behaviors. They use their own judgment on appropriate Interactions with customers factoring in the differences in costs between two Interactions with the same Relationship Value. Complementing the graphic display

would be options facilitated by decision rules where subtle differences in a particular combination of Interactions predicts success and could make a difference.

Operational CRI with the Relationship Value metric is well suited for high-value B2B, delivers significant improvements faster, and is cost effective. In high-value B2B, the people in the company are likely to be actively involved in developing a relationship, will know the customer personally, and need the "hands-on" operational guidance of the Relationship Value KPI.

Operational CRI and Operational Social CRI provide a unifying FRAMEWORK with meaningful METRICS and a deliberate, systematic PROCESS to compete based on relationships. Operational CRI tracks customer interactions; Operational Social CRI tracks community interactions. Both roll up with structured, actionable intelligence.

## Relationship Value makes sense of the data--ties the data to business results, practically and powerfully.

Operational CRI maps and tracks the customer experience to measure relationship cause-and-effect and get *...results based on real-time operational data:*

**Real-Time Operational Control for Frontline Staff & Managers:**
- What is happening right now with customers? At what cost? For what effect?
- How does the customer experience compare to previous successful patterns?
- What is best to do next to develop the customer relationship?
- What is the most profitable action to take?
- How well is this strategy working in real time?

**Strategic Operational Control for Executives--Based on Real-Time Operational Data Tied to Individual Contacts and Real-Time Profit:**
- Where are you making more money?
- Are you growing high-value customers?
- Are Communities making a difference?
- How well are you driving profit and satisfaction?
- How can you achieve sustainable competitive advantage?
- How can you repeat success?
- Where should you focus next?

## To compete on relationships, measure *Relationship Value.*

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**For More on Relationship Value:**

Appendix A for excerpt taken from Religence Framework for CRI Brief
Appendix B for selected Relationship Value Use Cases
Appendix C for RV-Q™ Pilot, a Quick Way to Compete on Relationships
Value Creation Thought Leadership Paper and FAQ section at www.religence.com, and
Our CEO's book **Customer Relationship Intelligence.**

Value customer relationships. Drive profit.

# Appendix A:
## Why Do We Need *Relationship Value*, the Missing Metric:

How often have you heard: "It's not what you know, but who you know"? Or as a Rainmaker from a major firm, when asked about his success in business development, commented, "It doesn't really matter what your business strategy is; it all comes down to the relationship."

Sales people know that relationships are critical instinctively and jealously guard what they know to be a precious resource. *(This is why the disruption wrought by the Internet and Social Media on sales and marketing and on how relationships are developed is so vexing and why CRI is more important than ever.)* Consider your own experience: it's not that unusual to follow people who serve you well from one company to another as they change jobs. You don't want to lose the special relationship, the personal attention.

What's mind-boggling is if relationships are so important, why haven't they been measured to capture their value? In fact, everything but relationships are measured in sales and marketing.

The metrics focus on the efficiency of the person executing the function, or on the organization's use of a tactic. *Cost per lead, time to close a sale, time to resolve a service issue, or the percentage of "perfect" orders* are good internally-directed metrics, but they are not usually incorporated into a complete relationship view.

Current customer metrics count customers one way or another, rather than measuring the entire customer relationship. Popular metrics include *how many leads, how many qualified leads* (And now that the Internet and Social Media are speeding up the integration of marketing and sales, you have marketing-qualified leads and sales-qualified leads!), *how many customers, how many in this region or that, how many in this channel or that, how many buy this or that, how many spend this much or that much, how many are aware of the company, how many are satisfied with the product/ service,* to name a few. (Not so different from counting how many "friends" you have or how many downloads of a white paper there have been as measures of success in Social Media!)

None of these metrics accounts for all of the customer activities in sales and marketing and customer retention. How could they? They are not cross-functional, like a customer relationship is. Few of these traditional metrics relate to profit, which is no surprise either. They are not cross-functional, while profit, which is directly tied to the customer relationship, is earned by the orchestration of functions across the company. No wonder it is hard, if not impossible with current methods, to determine just how much of any activity contributes to profit, despite all the attempts to justify marketing program with ROI calculations. Standard calculations just don't cover a big enough picture to be relevant.

Finally, most traditional metrics measure the company and the company's activities in *relationship* to the customer, but not the customer relationship itself. *What's important here?* That's what I asked myself as I struggled with how to quantify marketing. Management guru Peter Drucker sums it up: *"You cannot manage what you cannot measure."*

Relationship Value is the building block that measures whether the Interaction moves the relationship forward or backward—its effect. Relationship Value is a Key Performance Indicator for relationship development and a leading indicator for profit and satisfaction.

*Excerpted from What Led to the Development of the Religence Framework for CRI--CEO Notes*

# Appendix B:
## Selected High-Level as Well as Narrowly-Focused RV Use Cases

Relationship Value (RV) measures what matters in the Relationship Age, distilling insights from the chaotic crush of Interaction Data coming off the Internet, smart mobile devices, Social Media, and Communities--making sense of it, tied to business results.

## High-Level, Strategic and Operational RV Use Cases
## 1. Compete on Unique Relationships:

Relationship Value unlocks the unique, sustainable competitive advantage that comes from understanding and acting on customer behavior and profit patterns better, faster, and more responsively than competitors do. When using RV, Executives know how to repeat success.

With Relationship Value Executives have Strategic Operational Control based on real-time, cross-functional Operational Data tied to Individual Contacts and real-time profit.
- Instead of end-state and lagging indicators, Executives manage looking forward with RV, a leading indicator for profit and satisfaction.
- Instead of making decisions based on head count and allocated costs, they put variable costs where they belong--on the Individual Contact.
- They rely on what individual people actually DO, not on aggregated trends of what people SAY they'll do.

*(See Appendix C for a quick way to validate Relationship Value as a leading indicator.)*

With Relationship Value, Frontline Staff and their Managers have real-time, cross-functional Operational Control. Users see how deep a relationship is becoming across the Customer Lifecycle without getting buried in the Interaction details. RV measures whether the Interaction moved the relationship forward or backward and by how much.

## 2. Optimize Customer Outcomes with Pattern Analysis:

Both Frontline Staff and their Managers use real-time Relationship Value pattern analysis to compare Individual Contacts to any Aggregate and Subsets within specific Aggregates to easily see what is normal and manage to that normal, saving effort for the exceptions, the anomalies. Managers watch what is working in real time and make interim adjustments to the process.

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### Common Aggregates and Subsets:
**Event, Profit, Performance, and Stakeholder Community.**

**Event Subsets:**
Those who repeat, refer, up sell, cross sell, increase volume, have a bad experience, etc.

**Profit Subsets:**
High Profit customers, Low Profit customers, those with Profit Improvement Potential.

**Performance Subsets:**
Team, industry, territory, contact source, company revenue, etc. By team particularly, either the entire Virtual Account Team that is handling the same set of customers across Acquisition/ Closing/ Retention Stages, or different reps within a Stage handling different customers.

**Stakeholder Community Subsets:**
Leaders, Doers, and Watchers in terms of their Community Engagement, then by Events as described above plus those who recommend, create, share, download, etc.

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## 3. Compare Competing Business Units, Distributors, or Partners:

Executives use Relationship Value patterns to facilitate confidential high-level coherent comparison of and communication about the depth of the relationships being developed by competing Business Units, Distributors, or Partners.

RV summarizes Interaction effectiveness. RV can be shared without compromising private information about the Individual Contact or exactly what Interactions the sales organization has had with that Individual Contact. Both the company and the sales organizations find out what they really need to know. The company knows the depth of the relationships being built on its behalf, and the sales organization keeps the details of the Interactions private.

## 4. Develop Cross-Functional Best Practices:

Managers compare RV patterns across industries, territories, product lines, regions, divisions, business units, etc. Correlate to profit and satisfaction. Drill down to compare RV development in Customer Lifecycle Stages to develop best practices, allocate resources, tied to outcomes.

## Narrowly-Focused Tactical RV Use Cases

Although these narrowly-focused use cases are written from a Frontline Staff and their Managers / action perspective, they could be automated and presented to the user as a workflow stream.

## 1. Decide Next Best Action for Individual Contact:

Assess an Individual Contact's status and benchmark it against typical RV patterns in their Acquisition/ Closing/ Retention Stage. Decide what to do next to effect outcomes in the context of typical behaviors. Determine whether Interactions with higher or lower RV Units are appropriate. Select appropriate Interaction sequence. RV shows at a glance how the Individual Contact arrived at the current position, and what could be done next.

## 2. Prioritize Top Priority Prospects for Specific Treatment:

Select prospects for a specific treatment based on their RV Unit scores relative to where they are in the Customer Lifecycle. Measure efficacy of A/B campaigns by resulting change in RV.

- Marketing Qualified Leads (MQL) with high RV Units would get priority attention from Sales over those with lower RV Units. *All MQLs are not equal.*
- Stalled top priority prospects with low RV Unit scores, compared to norms, can be selected for a high-touch (high RV) campaign to get them moving forward.
- Total RV Unit scores stratified by Acquisition/ Closing/ Retention Stages identify over- or under-investment in relationship development. Develop a normalizing strategy.

## 3. Prepare for Up-Sell/Cross-Sell in Six Months:

For upcoming planned renewals or up-sells, identify recent RV Unit score growth for current customers to ensure that sufficient rapport and satisfaction supports successful up-sell conversation. Take preemptive moves.

## 4. Emulate Top Team Performance:

Compare the RV pattern of the set of Individual Contacts managed by top performers to other team members to see how far off the norm they are. Identify Virtual Account Team reps that create the most RV Units with buyers for the least Interaction Cost, resulting in positive outcomes for the seller. Encourage collaboration among team members to try new approaches, to unleash the creativity of the team, and to improve the process ongoing. Develop cross-functional reward/recognition programs to promote long term value creation. Model best practices to emulate across the Customer Lifecycle.

# Appendix C:
## RV-Q™: A Quick Way to Compete on Relationships.

Relationship Value-Q: Strategic, operational guidance for executives while back-testing to validate Relationship Value as a leading indicator for profit and satisfaction.

## RV-Q Pilot Project to Address Critical Questions:

Can a discernable difference be seen in the historical record between the Relationship Value patterns of these customers:

- Those contributing the highest profit and those where money is lost?

- Where revenue is growing and those where revenue is shrinking?

- Where share of wallet is growing and those where share of wallet is shrinking?

- Participants in a Stakeholder Community and those not, tied to financial gain?
  *(See next page for a RV-Q Pilot/ Innovation Community Initiative.)*

- Any other extreme within a customer segment.

Is Relationship Value a leading indicator for these or for other significant segments within the customer base? How does what people DO, quantified by RV-Q, correlate to what people SAY?

## RV-Q Pilot Steps:

a. Develop a pro forma model of approximately 100 major Interactions and 30 some associated VoC Interactions in the Customer Relationship Process working with Business Intelligence team as well as cross-functional teams representing Marketing, Sales, Inside Sales, Customer Service, Communities. Deliverable: Team buy-in and validation of a Customer Relationship Process Model.

b. Determine what data is available to support an end-to-end understanding of the Customer Relationship Process. Review available predictive modeling. Identify data gaps. Deliverable: High-Level Data Map.

c. REPORT: Identification of key components in the customer lifecycle needing further analysis.

d. Identify critical process gaps. Map the customer experience across two to three of those process gaps to better understand cost and the three aspects of Customer Value—Brand Value, Product Value, and Experience Value. Deliverable: Roadmap for Process Improvement.

e. Collect key data to complete the historical record of priority customers with teams responsible. Deliverable: Cross-Functional Cooperation.

f. Populate major Interactions in pro forma model with Relationship Value and Variable Interaction Costs. Correlate to actual historical Interaction Record of customers. Deliverable: Demonstrate the efficacy of RV as a leading indicator.

g. REPORT: Address questions posed and recommend next steps, including potentially building a Social CRI→CRI Tracking System to track RV-Q.

Alternatively, instead of viewing the RV-Q Pilot as an opportunity to foster cross-functional cooperation, it could be run as a Business Intelligence Unit project preliminarily before seeking broader involvement. If done as a BI Unit project, Step a. could be split into two parts and the second part delayed along with Steps d. and e.

## RV-Q Pilot/ Innovation Community Initiative:

Expands the RV-Q Pilot Project to Compete on Relationships by leveraging relationships of top priority customers for innovation insights for a product group in a specific geography.

- Gathers product and process innovation ideas shared by these top priority customers using Enterprise Feedback Management tools including Social Media Monitoring, Voice of the Customer research, and Community Ideation Collaboration. *(See Step c. below.)*

- Identifies lead users as well as other internal and external key players. *(See Potential Breakthrough Innovation Community Next Steps at the bottom of the page.)*

- Compares the Relationship Value patterns of top priority customers who participate in a Stakeholder Community and those not, tied to innovation/ financial gain. Looks at how well what these people DO correlates to what they SAY for innovation, for satisfaction.

- Answers questions: Is Relationship Value a leading indicator? With/without Community? Is our next new thing, the right new thing? If we innovate this, will they buy it?

## RV-Q Pilot/ Innovation Community Initiative Steps:

a. Develop a pro forma model of approximately 100 major Interactions and some 30 associated VoC Interactions in the Customer Relationship Process working with Business Intelligence team as well as cross-functional teams representing Marketing, Sales, Inside Sales, Customer Service, Communities. Deliverable: Team buy-in and validation of a Customer Relationship Process Model.

b. Determine what data is available to support an end-to-end understanding of the Customer Relationship Process. Review available predictive modeling. Identify data gaps. Deliverable: High-Level Data Map.

c. REPORT: Identification of key components in the customer lifecycle needing further analysis and those in need of incremental and breakthrough innovation, informed by ideas collected by Enterprise Feedback Management tools.

d. Identify critical process gaps. Map the customer experience across two to three of those process gaps to better understand cost and the three aspects of Customer Value—Brand Value, Product Value, and Experience Value. Innovate incremental and breakthrough change. Deliverable: Roadmap for Process Improvement.

e. Collect key data to complete the historical record of priority customers with teams responsible. Deliverable: Cross-Functional Cooperation.

f. Populate major Interactions in pro forma model with Relationship Value and Variable Interaction Costs. Correlate to actual historical Interaction Record of customers. Deliverable: Demonstrate the efficacy of RV as a leading indicator.

g. REPORT: Address questions posed and recommend next steps.

## Potential Breakthrough Innovation Community Next Steps:

- Track RV-Q and what people DO going forward with a Social CRI→CRI (Customer Relationship Intelligence) Tracking System. Facilitate a new, breakthrough Innovation Community with lead users and key players at its core. Effort informed by the product and process ideas collected by Enterprise Feedback Management tools.

- Open new relationships with existing customers. Open new customer segments.