Editorial

Some things never change. Or rather, they change — but so slowly that years can pass before any discernible effect sets in. Sometimes, a great deal of change takes place, but it has already long since happened by the time one wakes up and notices.

Change. The bane of all who consult and try to remain at ‘the cutting edge’. It was a thought that came very much to mind recently, when I was asked to review a book about myths in the customer relationship management (CRM) workspace. The authors took a line that was initially attractive: identifying so-called ‘myths’; then showing why those myths weren’t actually true.

But hold on, I found myself saying: I don’t believe these myths. I haven’t believed them for a long time. I’m not even sure I ever did! So just how realistic are these authors? Is the entire premise, in fact, no more than a highly structured conceit on which to hang an otherwise fairly ordinary book?

It is very hard to tell. One myth the authors were keen to deconstruct was the idea that satisfied customers inevitably lead to improved business performance. But I know that’s not true. I know from a range of studies carried out in the 1990s that measures of so-called customer satisfaction rarely represent a meaningful estimate of that elusive quality: ‘satisfaction’.

I know that many, if not most, of the quantities derived from surveys and the like don’t really measure ‘satisfaction’. I also know that it makes little difference. Companies can turn in regular high

satisfaction scores — and still be watching a long-term and possibly terminal decline in customer numbers.

So this myth of the importance of satisfaction is certainly not one I buy into. Nor would I expect senior managers who keep abreast of current business thinking to buy into it. So perhaps the entire book is no more than a very elaborate tilting at windmills.

Or maybe not. As a consultant, I am regularly exposed to a range of business practice across different types of organisation. I see some good and excellent practice. On occasion I encounter some appalling practice: companies still hammering away at customers using techniques that were considered a bad idea a decade ago. All of which makes it very difficult to talk about change. For what is new and exciting in one organisation is decidedly old hat in another.

I need, almost, to maintain a perpetual double vision. On the one hand, I need to be aware of all that is new and newest. On the other, I need to have a sense of what companies are really doing.

All of which brings me vicariously round to the main focus of what I wanted to write in the first place. That is: measurement, bottom line effect and optimisation.

But first, I should declare an interest: over the last few years, I have increasingly been using tools that help businesses to measure the effects of their activities. Using tools, building them and reviewing them. In this issue, you will find an interesting overview, by Julian Berry, of Customer Calculus — a tool he

now uses to assist organisations in monitoring and optimising the effects of campaigns.

I have used this tool myself — and continue to do so — because at present it is one of the few tools that carries out what is a highly difficult task.

Organisations have been attempting to model their business activity for some time. To begin with, they used very simple spreadsheet models. Many still do — although the complexity of the models has evolved somewhat. But as indicated above, there are now tools on the market that will help organisations to carry out a much tougher, meatier task when it comes to business modelling.

Customer Calculus is one such. Another is the ICM (Intelligent Churn Management) tool from Perspecta. Yet another is Marquant's Budget Optimiser. The list grows longer by the month.

All change. Yet, as I stated at the outset: sometimes change happens so slowly that it is barely noticeable. It began with direct marketing, which always boasted that unlike other marketing channels, it alone was measurable. This was true, in a crude bottom line sort of way. With direct marketing, you could run a specific campaign and know at the end of it just how profitable that campaign had been.

But that left direct marketing in something of a ghetto. Yes: remarkable that it was measurable. But in the long term, so what? Other channels still had to be used — and even if it was not possible to understand the dynamics of those channels in quite the same level of detail, still some estimate of their effectiveness could be gauged.

And then along came CRM, with its many bold promises — followed not so long after by the reaction. Managers understood very quickly that CRM demanded huge investments in many areas, particularly information technology,

and were understandably queasy that such major investments were required with only very soft benefits outlined.

As analysts such as Gartner proclaimed how flawed much CRM investment was, this queasiness could only get worse. So the next stage was for those putting forward CRM options to produce business justifications for their efforts. Yet more models were developed. Many of these were highly self-serving, in the sense that they were built by those with most to gain from CRM — and so they tended to be built in such a way as to give the exact answer that their builders wanted.

But still, more models were being built. More individuals were focusing on the problem of justifying a link between CRM or marketing action and bottom line result. A process of natural selection was well under way.

Until finally we reach 2006. Nothing much has changed. Yet everything has changed. That is, the way in which we use numbers and models to justify what we do has altered radically in the last ten to fifteen years. But if you were to try and put a finger on when and where, exactly, this change set in, you would fail.

What I can say, with good reason, is that ten years ago, numbers were poor, puny operational things. They were used to justify and rationalise individual campaigns. Occasionally, a manager would attempt to build an elaborate justification for his next CRM enhancement using some form of business model. But really, the connection between model and the real world was slight. The modelling process had as much to do with providing numerate structure to an individual vision as providing actual proof of anything.

Today, there is a new sense of the power of numbers abroad in business. It

comes, I think, from two different directions. From the top down, there is pressure, as Professor Malcolm McDonald observed in our last issue, for marketing to come up with genuine measures of value-added for the boardroom. Simple measures of campaign ROI no longer cut it: they need to be able to demonstrate real and testable business benefit.

Meanwhile, a process of natural selection has decimated the ranks of the smoke and mirrors merchants. Business 'models' built for the fairly obvious purpose of selling some pet software are no longer trusted, yet the demand for good, credible numbers to aid decision-making is stronger than ever.

An example: I have recently finished working, with one organisation, on an exercise to determine what data it should obtain and maintain within its database. A few years back, this would have been an exercise in wishful thinking. Marketing would have come up with a list of candidate variables on their 'nice to have' list. Those would have been duly documented. Some costs would have been added — and a global figure for benefit perhaps set against the costs.

Not so today. On the one side, the exercise put in place a precise and repeatable process to audit current data. This used a number of measures, including quality and population. A view was taken and tested as to what the true value of benefit to the organisation was for a fully working database, and then a very great amount of time and effort was spent in allocating value to different levels of effect.

By the end of the exercise, we had moved light years beyond the bland

conclusion that 'improving data quality would be good for your organisation' into a finely detailed measurement process that set out how much data improvement was needed to maximise the benefits — and the level of bottom line benefit available for each level of quality increase.

It wasn't just a more complex process: it was fundamentally more robust than any similar exercise used to be.

Yes, there has been a great deal of change to how we go about measuring things. Expectation is higher. The number of packages that do these things in a sophisticated and robust fashion has increased. The end result not only feels more solid: it is demonstrably much closer to the way in which the directors of any large organisation need to think about the decision-making process as a whole.

We have moved on. And I have only just noticed.

In this issue, that point is doubly underlined by Alvarez *et al*, who look at the relationship between the use of formal analytic techniques in business and business success — and find the two to be linked: and by Zillur Rahman, who looks at ways of measuring effects of satisfaction within a financial services environment. Further input into the question of measurement comes with a slightly technical treatment of the subject from Hutchinson: and from the previously referenced paper on campaign optimisation by Julian Berry.

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