Spotlight

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Unlock the Mysteries of Your Customer Relationships

Are you connecting with consumers the way they want you to?

by Jill Avery, Susan Fournier, and John Wittenbraker

Consumers have always had relationships with brands, but sophisticated tools for analyzing customer data are finally allowing marketing organizations to personalize and manage those relationships. With this new power comes a new challenge: People now expect companies to understand what type of relationships they want and to respond appropriately—they want firms to hold up their end of the bargain. Unfortunately, many brands don't meet those expectations.

Despite the "R" in CRM and the $11 billion spent on CRM software annually, many companies don't understand customer relationships at all. They lack

relational intelligence—that is, they aren't aware of the variety of relationships customers can have with a firm and don't know how to reinforce or change those connections. They may be very good at capturing simple demographic data—gender, age, income, and education—and matching them with purchasing information to segment customers into profitability tiers. But this is an industrial view of customer relationships, a sign that many firms still think of customers as resources to be harvested for the next up-sell or cross-sell opportunity rather than as individuals looking for certain kinds of interactions.

As a consequence, consumer companies often manage relationships haphazardly and unprofitably, committing blunders that undermine their connections with customers. A person wanting to be treated like a friend is more likely to be treated as a mere party to an exchange—or, even worse, as an adversary. It goes the other way, too: A customer looking for a mere exchange may get an off-putting attempt at building a friendship. In study after study, we find that consumers are frequently frustrated by companies' inability to meet their relationship expectations.

Through our two decades of research on brand relationships in a wide variety of industries across the globe, we've learned how companies can glean information about the kinds of connections their customers are looking for. We've also identified a number of relationship types, complete with the rules each type implies. Some of the types are what you'd expect; others veer into surprising territory. Do your customers want to have a *fling* with the brand? Do they assume a *master-slave* relationship, with the customer playing master to a servile company? We'll explain these and show why they matter for profitability.

Drawing on our analysis of firms that have made progress in managing relationships, we'll show how companies can unlock the mysteries contained in their portfolios of relationships and deliver on customers' expectations.

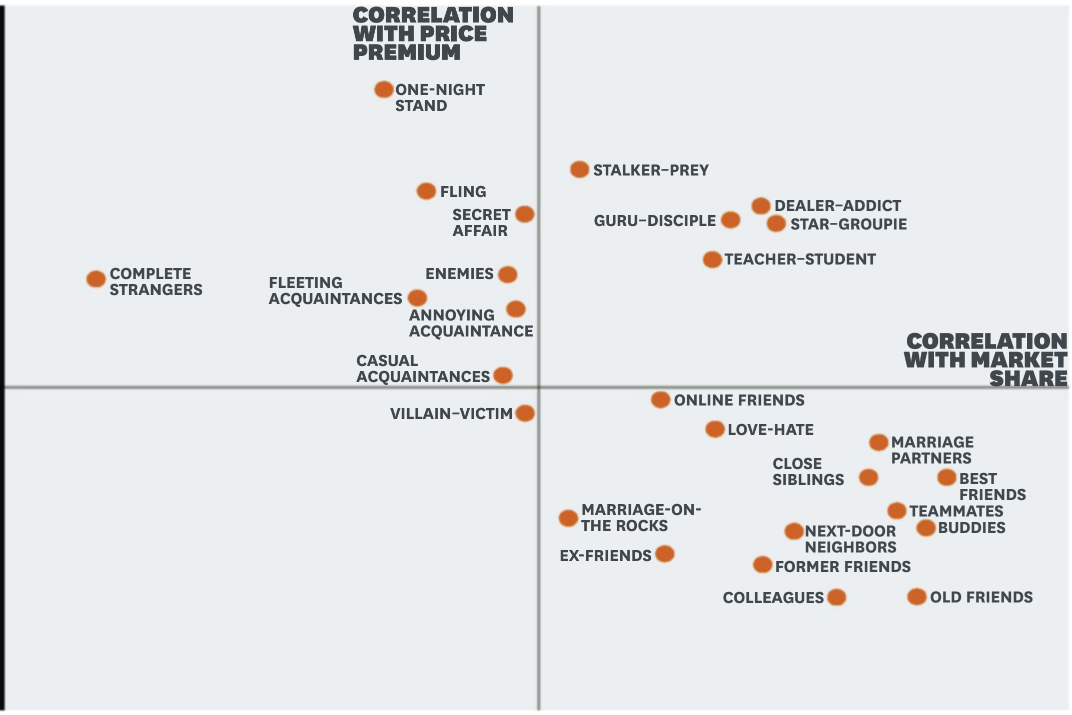
A New Approach to Relating

Why are relationships important? Consider these examples from our research.

A customer of a grocery delivery start-up is very happy to have found a service that can save him from one of his least favorite chores: going to the supermarket. He wants this business to survive, so he sends in suggestions for fixing operational glitches. But he gets no response—just a stream of

VALUING "FRIENDS" AND "ACQUAINTANCES"

Determining which customer-relationship types offer the most value involves weighing several factors. Here we show the degree to which various kinds of relationships can help a company build market share or charge a price premium. For instance, customers looking for a *one-night stand* with the brand are generally willing to pay a higher premium than those who see themselves as *colleagues* of the brand.



Idea in Brief

THE PROBLEM
Many consumer companies lack *relational intelligence*—they don't understand how many different kinds of relationships customers can have with brands, nor do they know how to reinforce or change those connections. A person wanting to be treated like a friend, for instance, might find herself being treated as a mere party to an exchange.

THE SOLUTION
Companies need to get better at capturing data that tell which relationship types—whether *flings* or partnerships or something else—their customers are looking for. They then must shift customers toward relationships that advance the firm's strategic goals. That requires understanding the unspoken rules of each type of connection. It also means reorganizing marketing around relationships.

CASE IN POINT
Pinterest has found ways to shift users into more-valuable relationship types, encouraging *strangers* to engage in flings with the site by positioning it as a place where people can continually discover new things. *Fleeting acquaintances* are encouraged to connect with other users who have similar interests. As users continue to expand their connections on the site, their relationships with Pinterest shift to *casual acquaintances* and, eventually, to *teammates*.

promotional e-mails encouraging him to place orders more frequently. Dismayed, the customer cuts back his use of the service, believing that the company isn't interested in developing a relationship on his terms.

A clothing brand popular with plus-size baby boomer women tries to reposition itself as relevant to younger, thinner customers and in so doing alienates established customers, who feel betrayed and disrespected—as though they've been dumped for someone more attractive.

A high-powered professional who's recognized by an online retailer as a loyal customer repeatedly tries to explain why she's frustrated with the company's policy of requiring signatures for deliveries, which inevitably come in the middle of the day, when she's not at home. Her presumption that the company wants to maintain a strong bond with her is dashed by unhelpful interactions with managers who refuse to be flexible about the policy. One finally makes a mindless attempt to "solve" her problem by offering her a $200 gift card. She ends up canceling a $7,000 order.

All three firms employed CRM to manage customer data, yet their extensive knowledge of purchasing patterns and demographics did nothing to prevent those misfires.

The grocery delivery service's CRM system was set up to push out promotions according to a set schedule or customers' purchasing patterns—not to listen for and capture customers' signals. Consequently, the company missed that this customer wanted much more than a simple exchange relationship. The clothing company didn't understand that by giving stores a makeover, replacing flowing silhouettes with clothes that were cinched at the waist, and showing garments accessorized with high heels rather than flats, it was undermining its intimate relationships with the customers who had the deepest connection to the brand. The case of the online retailer represents an organizational failure to broaden the reach of marketing to such functions as legal and customer service. This customer expected the retailer to treat her like a star in all interactions; she may even have wanted to play the master to the company's slave, insisting that the company satisfy all her demands.

These acute CRM failures point to an opportunity for marketing organizations to improve their relational intelligence. The first step toward that goal is recognizing that people have different kinds of relationships with brands. Through a structured quantitative survey approach, we analyzed the relationships between consumers in China, Germany, Spain, and the United States and more than 200 brands in 11 industries, including hair care, airlines, cars, and media. We saw that people's connections with brands varied along multiple dimensions, and we identified 29 distinct types of relationships. This approach is unfamiliar to most consumer companies, but it's more eye-opening and valuable than the demographic, behavioral, or values-based customer segmentation they have been practicing for decades.

The types include both positive and negative relationships (some customers view themselves as *buddies* or *close siblings* of the brand; others as *ex-friends* or even *enemies*), as well as some that are mixed (customers may have a *love-hate* relationship with a brand). They include relationships that are distant and those that are intimate (some customers feel that they and the brand are *complete strangers* or that they're participating in *one-night stands*; others see themselves as *best friends* or *marriage partners*) as well as ties that are intense and others that are weak. In some cases one party holds the power, and in others it is shared.

Some of the types are surprising to managers. Take the master–slave and fling concepts: Of course people can be very demanding, but managers don't fully grasp that for some customers, the whole point of the relationship is to fulfill their need to be listened to and treated with utmost respect, just as they fail to see that quite a few customers—particularly in fashion, consumer technology, social media, and gaming—seek a passionate, but fleeting, engagement. Some managers are also uncomfortable, at first, with our terminology, which may seem overly intimate. But our research has confirmed that these relationship metaphors accurately represent consumers' experiences with firms and brands. The labels also drive home a point. The master–slave idea, for example, usefully encapsulates a set of expectations and behaviors that companies need to acknowledge.

To categorize your customers by relationship type, you'll need to gather information that reveals their feelings and expectations about the brand. In other words, you'll need to develop relational radar to pick up their signals.

Listening for Signals

To begin, firms must understand the types of relationships currently in their portfolios. The most straightforward approach is to use surveys and interviews. Frito-Lay, for example, conducted extensive ethnographic interviews with a sample of customers to understand what kinds of relationships they had or desired with each of the company's brands. Most Cheetos customers, the company discovered, were adults who were using the product to feel playful and a tad naughty. These people, whom managers dubbed "rejuveniles," relished the snack's bright orange color, funny shapes, cheesy messiness, and even the telltale residue on their hands (licking their fingers made them feel they were breaking the rules). We refer to this kind of relationship as a *secret affair.*

Companies can further increase their understanding by boosting the relational intelligence of their CRM systems. Many companies receive vast amounts of data—via e-mails, online chat sessions between customers and reps, and phone calls—that contain relational signals, but they're poor at collecting and analyzing all this information. These signals convey what kinds of relationships customers want (and are assuming they have) with the brand as well as how those relationships may be evolving. The key is to start listening for and capturing them.

Web-crawling and data-mining technologies can enable companies to pick up broad relational signals from social media. GfK and other social-media listening firms such as Oxyme scrape and analyze chatter on Twitter, Facebook, blogs, and discussion forums and use trained coders and specialized software to identify users' emotions. Although people who post on social media may not always represent a company's typical customer, patterns of emotions can suggest important groupings of relationships and trends within them. For example, if you're seeing intense, positive emotion, particularly joy, and if words such as "love" and "loyal" are cropping up in discussions about a brand, you're most likely looking at customers who are signaling that they are in a marriage partner relationship with the brand. Consumers who speak of being "addicted" or "obsessed" or express longing may be in a *dealer–addict* relationship.

Listening to and capturing data also allow companies to convert customers' signals into knowledge about such factors as whether people are seeking to ratchet up or dial down their engagement with the company, whether relationships are in distress, and how customers are reacting to the company's various actions (new prices or privacy terms, for example).

The data you've gathered and coded will let you see your brand's current relationship profile. You can put this knowledge to use by determining which relationships offer the most value.

Stronger, committed bonds tend to be more durable; thus they contribute to building market share, and their predictability makes them easier to manage. Our research shows, however, that they are often less profitable than other types. Relationships such as marriage partners and best friends are resource-intensive—building and maintaining them requires significant investments. And once customers are entrenched in close relationships, any price increase or change in terms can be seen as a betrayal. Amazon's decision to raise the price of its Prime membership by 25% made some customers pause to consider the power Amazon had amassed. They felt exposed and vulnerable in the face of it. Suddenly customers could see that in forging what they thought was a comfortable partnership, they had become dependent on Amazon.

Our research shows that flings tend to allow high price premiums, but their fleeting nature produces revenue peaks and troughs, and trying to meet expectations for excitement can be expensive. Yet flings are highly profitable and remarkably resilient. In an experiment, we created two online photo-service brands, using color, language, and images to

RULES AND REGULATIONS

Each type of customer relationship is governed by its own rules, which are based on the customer's expectations. Here are a few examples:

Basic Exchange

The customer enters the relationship to obtain a good product or service at a fair price. The customer is looking for dependability and doesn't want to have to think or do too much.

EXAMPLE

A loyal customer sticks with a toothpaste brand.

Business Partners

The customer wants to work with the company as a valued and reliable partner to solve problems over the long term.

EXAMPLE

A customer of a grocery delivery service provides a stream of sensible suggestions for improving service, and the company follows up on the ideas.

Fling

The customer wants to experiment with a new identity. He or she expects the company to provide excitement, fuel his or her passion during every interaction, and not encourage reflection or rational thinking about purchases.

EXAMPLE

A customer of a watch company delights in—and purchases—a steady stream of new models with dazzling designs.

Best Friends

The customer is looking for intimacy and emotional support. He or she wants a two-way flow of honest communication and expects that the company won't disclose personal information or take advantage of his or her vulnerability.

EXAMPLE

A retail customer expects to be notified in advance of changes in operations or prices, or of other relevant business decisions, and the customer offers loyalty and understanding in return.

Buddies

The customer is looking for sustained interaction but doesn't want a close or emotional relationship. He or she expects that the company will not make demands or limit his or her freedom to associate with others.

EXAMPLE

A beer lover wants to choose from a large selection of brews to suit different occasions and resists individual brands' efforts to win his loyalty.

Master-Slave

The customer enters this type of relationship to intensify feelings of self-worth. He or she demands that the company listen, anticipate his or her every need, satisfy every demand, and not ask questions.

EXAMPLE

An online retail customer cuts off her relationship after a series of small service infractions that signal disrespect.

encourage friendships with one and flings with the other. The friendship brand engendered stronger ties, but when each site "accidentally" lost pictures, the friendship brand suffered while the fling brand grew stronger. The breach seemed to inject new energy into the relationships, perhaps by adding an element of risk and excitement. (See the exhibit "Valuing 'Friends' and 'Acquaintances.'")

Understanding the Rules

Once you've profiled your customer relationships, you can begin to manage them in ways that create a portfolio that advances strategic goals. You'll need to understand the unspoken rules that, if broken, jeopardize the relationship. The rules cover such issues as what the consumer and brand will give to and get from the relationship and how and when the consumer and firm will engage. (See the sidebar "Rules and Regulations.")

The rules are based on customers' expectations. In flings, consumers expect novelty, excitement, frivolity, and a form of identity play. If a brand meets those expectations, customers will respond by becoming passionate about it; the brand will become, for a time, a focal point in their lives. Any failure to meet the expectations will be interpreted as a violation of the rules, and the relationship will be undermined.

Armed with awareness of the rules, you can act to deliver on your customers' expectations while engineering your portfolio to include an ideal mix of relationships. Sometimes that means bolstering desired connections; sometimes it means shifting customers toward more-desirable types; sometimes it means changing gears to nurture the kinds of relationships a targeted customer group would prefer. We'll look briefly at each strategic course of action.

Bolstering desired relationships. When customers demonstrate a desire for a type of relationship that's useful to the company—because it advances the mission, drives profitability or market share, or contributes to earnings stability—the firm needs to reciprocate. For example, if customers show a willingness to go above and beyond for the firm, as the grocery delivery customer did, the company can respond by recognizing him or her as an honored partner who can influence new product and service designs.

Consider Swatch, which reinforces customers' flings with the brand by putting inexpensive, boldly designed watches on the market for just one season. That strategy gives people an opportunity to play with new identities and engage with the brand briefly, at a low commitment level—a far cry from the traditional approach to watch marketing, which focuses on selling one or two high-priced products to each customer over a lifetime.

General Mills found out it was destroying, not bolstering, its coveted marriage partner relationships in posting a new rule on its website stating that customers who downloaded coupons, entered sweepstakes, or joined the company online in communities like Facebook would be barred from suing if a dispute arose. Loyal customers lashed out. Within days, the company was forced to rescind the policy.

Brand relationships in car sharing offer another example. Zipcar missed the mark with early marketing campaigns focused on fostering social connections among users and building a community around the brand. Research has shown, however, that car sharing customers are interested primarily in functional value. They want clean, well-maintained, up-to-date vehicles, a variety of cars to choose from, excellent customer service, and convenient options. Avis's recent acquisition of Zipcar is well-aligned with that insight. Avis has the scale and competency to bolster the exchange relationship consumers desire.

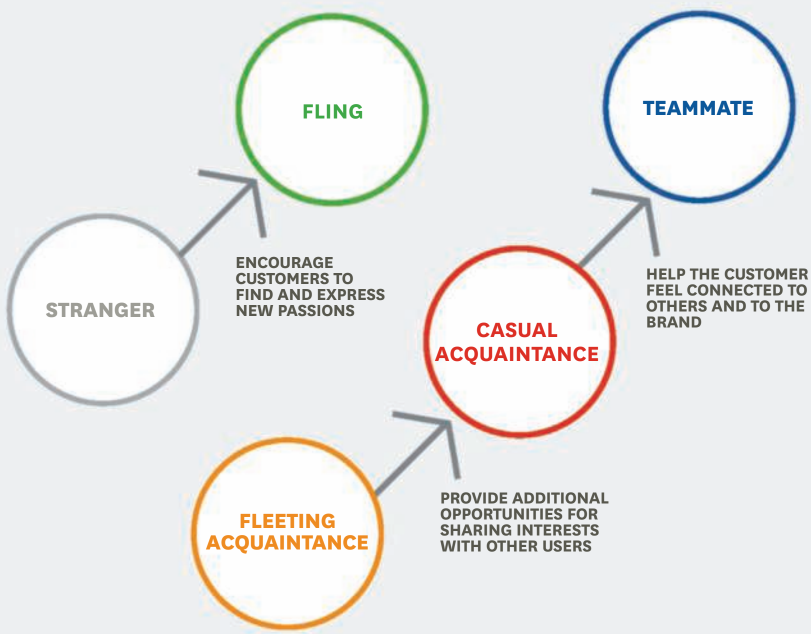
Shifting customers toward desired relationships. Many people enter into commercial interactions with certain types of companies—banks, cable TV providers, airlines, and corporate giants such as Walmart—expecting adversarial relationships. An understanding of that expectation is an opportunity for a reset. By incorporating singing and dancing into the onboard recitation of safety rules, Virgin Airlines tries to shift customers into a more positive bond with the company, such as a buddy relationship.

A company that wants to increase the proportion of close relationships in its portfolio in order to build long-term value has numerous options for doing so. It all comes back to paying attention to the rules and being aware of how relationships work. Rules can be bent, but not too far or too fast. Customers who have established casual ties with the brand can be coaxed in the direction of best-friend relationships, for example, through interactions that continue to meet their expectations while surprising them with the added pleasure of greater closeness.

While many relationships between consumers and social media brands never move beyond stranger or fleeting acquaintance, Pinterest—a site that lets users curate collections of products, images, recipes, and so on—moves users down various paths that lead them away from these less valuable relationships. One path encourages users in a

RENEGOTIATING RELATIONSHIPS

Noting that many of its primary connections with customers were remote or short-term, social media company Pinterest, which lets users curate collections of images and products, can take action to move customers into more-valuable relationships. Although most *strangers* will never become *teammates,* the company can develop *flings* with those users.



The fashion company Eileen Fisher discovered that the younger forty-something women the brand was starting to attract did not want to be *old friends* with the company. They wanted a relationship that was more transactional.

stranger relationship to engage in flings with the site by positioning it as a place where people can continually discover new things. On another path, users in a fleeting acquaintance relationship are encouraged to share their curated collections with people who have similar interests. As users build out their social circles, their relationship with Pinterest shifts to that of a casual acquaintance. And as they "pin" more items and continue to deepen their connections to others, users recognize that Pinterest is working in concert with them to expand their horizons socially, allowing a transition into a *teammate* relationship with the brand. (See the exhibit "Renegotiating Relationships.")

Changing gears. Consider the fashion company Eileen Fisher, which found that the high-touch sales approach that had worked well with fifty-something customers in the company's retail stores wasn't working for the forty-something (and younger) shoppers the company was starting to attract. With the help of research from IDEO, the company came to understand that for reasons including their hectic schedules, the younger women weren't as comfortable sharing intimate details about their lives with sales assistants. They didn't want to be *old friends* with the company; they wanted a relationship that was more distanced and transactional. Sales assistants had to adjust their approach.

A New Orientation

What does all this mean for the structure and function of the marketing organization? The actions we've recommended can't take hold or be effective if the marketing organization retains its traditional ways of doing things.

It's critical to regard relationships as long-term assets. Too many firms put their CRM databases in the hands of the IT department or outside software consultants, base their customer service responses on simple algorithms, relegate crisis management to the PR function, and fill their marketing units with people who have inadequate emotional intelligence and a poor understanding of the psychology of relationships. We've found that the optimal approach involves reorienting the marketing function around relationships, creating relationship-oriented roles for employees, and expanding marketing's purview.

Reorganize marketing around relationships. Marketing organizations need to identify both the positive, lucrative bonds and the negative, less profitable connections in their companies' relationship portfolios. After choosing a strategy—bolster, shift, or change gears—marketers need to educate staff, change their hiring practices, establish appropriate incentives, and shape processes around relationships.

Frito-Lay's entire marketing organization for salty snacks went through a three-day training program designed to educate people on the psychology of relationships and the reality of relationship rules and signals. As a result, the company rewrote its communications materials using relationship language and goals.

Similarly, Icelandic telecommunications firm Síminn implemented an 18-month program to help every employee, from receptionist to ditch digger to software engineer, become immersed in the company's relationship-oriented strategy and learn how to translate it to their jobs. Exercises helped employees internalize when decisions and behaviors supported or undermined the strategy. Moreover, marketing partnered with human resources to rewrite job descriptions with the aim of hiring people who are sensitive to relationships and can adjust, on the fly, to the relationship signals they receive.

Eileen Fisher has started adding relationship data to the customer "personas" it creates. These personas now reflect the type of relationship at play and the rules and profitability associated with it. Employees at all levels, from top management to sales clerks, understand the importance of customer relationships and emphasize them in decision making.

Reorganizing processes around relationships can be a far-reaching undertaking. At Swatch, for example, the rules of flings govern functions as diverse as marketing communications, product design, and supply chain: The company created the Swatch Design Lab, populating it with artists, architects, and industrial designers who could crank out two collections per year, each consisting of 70 styles, that would surprise consumers.

Create new roles for employees. In most marketing organizations, it's no one's job to think about relationship segments or take steps to bolster or otherwise manage the various types of bonds that customers form with the brand and company. In industries where adversarial relationships are common, companies should consider the use of "adversary managers": employees with specialized conflict management and negotiation skills. Brands with master–slave relationships may benefit from the addition of highly trained concierges who can meet customers' every desire.

Companies with best-friend relationships could take a lesson from Harley-Davidson. As part of the strategy that brought the firm 20-plus years of double-digit growth, Harley established a team of employees dedicated to communing with customers through the Harley Owners Group (HOG), the official riders' club. These employees, all motorcycle enthusiasts, spent on average 280 days per year on the road with customers to develop the kind of intimacy that could cement Harley's status as a best friend.

Expand the marketing umbrella. To be truly effective, a relationship orientation needs to go well beyond marketing-related functions. Relational intelligence must pervade every aspect of the company that touches customers or affects interactions with them, particularly in two areas that are often outsourced: IT and customer service. The company's computer systems must be able to gather and analyze the specific and highly nuanced relationship data in consumers' social media interactions and communications with the company. IT departments could benefit from employees trained in the social sciences, such as social psychology, clinical psychology, and family counseling. These individuals are better equipped to derive meaning from the data than the IT analysts traditionally entrusted to manage and mine CRM data.

Customer service is particularly important when it comes to relationships. The practices of outsourcing customer service and paying people low wages to deliver it have led companies to standardize and heavily script the responses employees use when interacting with customers.

The customer who was offered a $200 gift card after she complained about the retailer's delivery policy had been a loyal customer for 15 years and was in the practice of placing many orders on the website, spending tens of thousands of dollars per year. Like many high-end consumer firms, the company was pretty good at relationships in general—it had

A team of Harley-Davidson employees, all motorcycle enthusiasts, spent time on the road with customers to develop the kind of intimacy that could cement Harley's status as a *best friend*.

recognized her spending pattern and awarded her senior-level membership in its CRM program. Yet when she asked for help, a rep in an online chat used perfunctory language that seemed heavily scripted. The customer offered several potential solutions while imploring the rep to view her file and contact her personal shopper. The rep just restated the shipping policy, leaving the customer feeling disrespected and dehumanized. It was after she elevated her complaint to senior management that the vice president of customer service offered her the gift card as reparation for the service failure—a move that infuriated her, because her goal had become not only to receive her purchases but also to fix the retailer's internal processes.

To maintain a seamless approach, companies must educate customer service reps about the value of relationships and inform them about individuals' existing and desired ties with the company. That's why marketing must have a say in the management of customer service. For a taste of this alternative universe, try calling, chatting with, or e-mailing the customer service people at relationship-savvy Zappos. Chances are you'll engage with someone who has a personality and the freedom to be flexible with you.

Marketing needs to be empowered to share its knowledge of customers with all other customer-touching aspects of the business, from public relations to sales to website design, so that this knowledge can be incorporated into everything the company does. Even the finance and legal departments should be involved in the management of relationships. That won't be easy: Finance, focused on return-on-investment and profit maximization, may be unwilling to offer the inducements that facilitate certain types of relationships and may balk when asked to fund relationship building programs that take years to pay off. The legal department, centered on control of the brand asset and avoidance of lawsuits, may prohibit customer-facing employees from admitting guilt and offering heartfelt apologies when transgressions threaten to undermine relationships.

Even operational aspects of a company can be tailored to meet relationship goals. TD Bank, in its effort to deepen its relationships with customers, redesigned the service experience to recognize customers as friends—with pens that weren't bolted to tables, doors that didn't slam shut at 5:00, and lobbies that didn't shuttle customers like cattle through ropes and stanchions.

COMPANIES' INABILITY to understand or deliver on relationships was perhaps excusable when there was no easy access to what was in consumers' heads and hearts. But now that CRM technology has enabled firms to develop true one-to-one relationships with customers, they need to reorient the technology away from collecting economic data and toward capturing relationship data. Companies' continuing obtuseness about relationships represents a glaring failure of will. What is needed is data-driven empathy—that is, a deep understanding of the customer's condition—so that companies can interact as credible relationship partners. Combining big data with relational intelligence allows companies a window into the kinds of relationships customers have or desire. Reorienting the marketing function around relational intelligence and disseminating it throughout the organization will help address this failure and—at long last—fulfill the promise of customer relationship management.

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"We've updated the company manual."

CARTOON: BOB VOJTKO