Corporations and Customers: Looking for a Few Good Metrics

by Robert E. Hall, EnAct Group Executive, Carreker Corporation

"Not everything that counts can be counted, and not everything that can be counted counts."

Albert Einstein

"Dad, now don't freak out." It was after midnight and my youngest daughter who is in college 600 miles from home, was on the phone. "There has been a wreck in my car." As my brain booted up from a deep sleep, I remembered she was away from school for the weekend visiting a friend in Chicago. "I had a friend drive me to the airport. I let her use my car for the weekend and she had a wreck. She is okay but the car is a mess and maybe totaled. Dad, the police told her that if the car that hit her had been six inches closer to the driver door, she would probably have been killed."

After we both recovered from our scare, we eventually found ourselves in the market to replace her car. Since we agreed that a new car was not an option, I thought sure she would angle for a used BMW. I was surprised to see how the wreck impacted her thinking. She wanted a Volvo. She had researched cars very thoroughly and safety was now her number one priority.

She was convinced Volvo was the "safest" car she could find and yet she wanted to make sure it was a good business decision. I was surprised again at how she stated her case. I was expecting a straightforward comparison – something like the purchase price of the Volvo is less than the BMW but more than the Audi. "Dad, the Volvo is less expensive to own than the BMW or the Audi."

"Less expensive to own?" I asked. "Yeah, if you look at the cost to purchase, plus the cost to insure, plus the fuel costs, plus average maintenance costs, according to edmunds.com the Volvo is several hundred dollars less expensive to operate."

Now in reality the differences were small. What surprised me is that she and her friends she had consulted were looking at the total cost to own. Certainly it was the car that most appealed to her, based on a newly found appreciation for safety. Yet when she performed the math on the 'financial' decision she used a metric that more fully tells the story than just purchase price.

Why did she land on a metric like cost to own as the best indicator of value? I believe one of the factors is a growing skepticism on the part of consumers regarding purchase "price" as the most meaningful reflection of cost or value. Like corporations that realize many of their historical metrics are failing to guide them to the best decisions, many consumers are becoming increasingly aware of costs — like shipping, hidden fees, poor service, unanticipated maintenance, and low resale value — that drive up the cost to own. The burger is pretty cheap but the soft drink is expensive. The book is a bargain but the shipping isn't. The printer is a steal, but the print cartridges drive up the cost considerably. The basic model looks very attractive, but the features you most want add significantly to the cost.

Like corporate management, customers are in the business of creating and capturing value, and looking at the right metrics is key to getting to the right decision.

As corporations attempt to get metrics that more accurately reflect the truth about value, they must deal with customers who are attempting to do the same thing – to find metrics that penetrate the fluff and the spin – that tell the truth rather than obfuscate it. Brands, which have historically been a surrogate for value, have had a rough time in recent years as consumer trust in many of the brand messages has declined.

So just what are the new, emerging metrics that customers will use to assess the value propositions of your business? Will it be just the price? Or will it also include the projected cost of service, fees, inconvenience, wasted time and disruption?

As you look to better understand customer profitability, customer wallet potential, same store sales, and changes in the value of customer income streams, what changing metrics will customers be looking at to evaluate you? The internet provides a great way to compare the price to purchase through providers like eBay. It is also a powerful source for accessing analytical data that helps consumers get closer to the "cost to own."

At the end of the day, changing customer metrics will change our business — products, service, pricing, and support. Some of these measures will be hard and analytical, and some will be soft and more intuitive. Our ability to create better metrics that help us understand how to create more shareholder value will flow directly out of our ability to understand and respond to customer metrics that drive their behavior.

To paraphrase: Not everything counted counts, and some of what we are not counting, counts to our customers. Counting the right stuff is a challenge and opportunity in which we are inextricably tied to our customers. When we get better at counting and responding to the right stuff, all will win.

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