

Do your metrics reflect your market strategy?

When developing performance measures, don't lose sight of your objective.

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Loyalty

Most organizations focus on profitability and efficiency control when they evaluate and control their market activities. While these are certainly critical performance measures, keeping an eye on the effectiveness of your market strategy should be your overarching objective in defining your metrics.

Your strategic plan is the roadmap for your future, guiding the priorities of your business. It contains the competitive strategies that you will use to win and the results you want to achieve. This is where the choice and definition of performance measures should begin—by isolating the critical elements of your strategy. Levels of cascading and integrated measures should then help to ensure that everyone and everything in your business is working in alignment with your strategies.

In a business environment overwhelmingly focused on short-term objectives to drive stock price, we can easily lose sight of our “true north.” However, profit, revenue, cost, and market share goals often fail to effectively capture the full intent of many of today's critical strategies such as customer loyalty, community responsibility, partnering with others, being the preferred provider, or innovation. Some leading corporations in a variety of industries are trying to remedy this by evolving their performance measurement systems to track the progress of their strategic intent.



Whirlpool

With well-known global brands such as Whirlpool®, KitchenAid®, Brastemp and Bauknecht, Whirlpool Corporation is an industry leader with 2002 sales of \$11 billion.

In a recent issue of the industry magazine *Appliance*, Dave Whitwam, the Chairman and CEO of Whirlpool Corporation stated, “Whirlpool's growth strategy—‘Building unmatched customer loyalty’—is unlike any other within the appliance industry. The strategy focuses on winning the hearts and minds of our customers.”

Whitwam knew that refocusing this traditionally product-driven organization on a new customer-driven strategy required a fresh set of

performance metrics that would continuously guide, monitor, and refine the strategy. The corporate office of customer loyalty, headed by Donna Samulowitz, was established to define, design, and implement a new global customer loyalty measurement system and management process.

This measurement system has two new key characteristics: (1) a comprehensive view of all the customer touchpoints, and (2) a clear delineation between the rational motivators of customer loyalty and the emotional motivators of customer loyalty. These two characteristics directly relate back to the corporate strategy. For years, Whirlpool has had various performance metrics and research in place to obtain feedback on its products. Beyond the product, however, metrics on other important touchpoints were lacking. The new performance measurement system has revealed and focused the organization on previously untapped opportunities for building customer loyalty, starting with an overall balanced scorecard measurement of the customer loyalty index for each brand.

“Winning the hearts of customers” is not a comfortable goal for a basically product/engineering/manufacturing culture and was historically delegated to the brand manager to achieve through marketing communications. With the new performance measurement and management system, Whirlpool discovered that many touchpoints

beyond marketing communications could, in fact, affect the emotional motivators of customer loyalty. This “soft” objective is now the responsibility of many functions and processes in the organization.

Salt River Project

Salt River Project (SRP) is the nation's third largest public power utility and serves the greater Phoenix area. Revenues in FY2002 were \$2.2 billion, with 50% from business customers and 50% from residential customers. SRP's strategic mission is “to deliver ever-improving contributions to the people we serve through the provision of low cost, reliable water and power, and community programs to ensure the vitality of the Salt River Valley.”

the community” is one of SRP's key performance indicators.

SRP has received many public accolades for its success, including a series of J.D. Power awards, an American Public Power Association Community Service award, and the Points of Light Foundation award for volunteer contributions. SRP warrants its success to operational excellence and community involvement.

Andersen Corporation

Andersen Corporation is a leading maker of wood-clad windows and patio doors in the United States with one of the most-recognized brands in the industry. The 2002 revenues for this privately held company were \$1.8 billion.

In its mission statement, Andersen proclaims, “The value

Andersen products they carry, willingness to sole source, and willingness to consider using Andersen windows and doors for their own home. These measures, aligned directly with the company's strategic intent, keep Andersen focused on the needs of working partners as a critical link to consumers.

Lessons Learned

These corporations and others have learned many valuable lessons as they've evolved their performance metrics to reflect their market strategies.

A key lesson is to thoroughly educate your organization on how to interpret the measures and effectively use the information for planning and decision-making. New measures and new information are often rejected simply because they haven't been used before.

The basics of change management will serve you well as you implement new measures. And then use your performance against the metrics to drive improvement, as well as to set the baseline for future goals and performance.

Another key lesson is to stick with your measures. Make the choice for your best strategic metrics, focus and align the organization on your strategy through the metrics, and follow through with your choice to gain the benefits of tracking, learning, and refining. ○

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Knowing that companies have experienced a range of bottom-line benefits from investments in corporate citizenship, SRP has integrated corporate citizenship into its core business strategy. Some of these benefits include improved financial performance, reduced operating costs, enhanced brand image and reputation, increased sales and customer loyalty, increased productivity and quality, increased ability to attract and retain employees, reduced regulatory oversight, and greater access to capital.

SRP evolved its measures over the years to provide relevant and focused performance feedback on the progress and success of its strategy. Beginning with measures of social performance such as “corporate character” and “citizenship,” today “value to

that our customers receive is made possible by committed, productive, and talented working partners, providing solutions that our customers want, pricing our product fairly, setting high standards for product performance and durability, and providing responsive and timely service as a corporation that is easy to do business with.”

A key stakeholder group for Andersen is its trade and dealer network. To evaluate and monitor its performance in building commitment from these critical working partners, Andersen has implemented a trade loyalty measurement and management system.

Some of the individual measures it tracks include willingness to recommend Andersen to others, willingness to increase the volume of

About the Authors

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