

Intellectual capital: customer capital

Business



Intellectual Capital: Customer Capital
In the recent years, there has been tremendous change in the manner in which companies and organizations conduct business. This is in reference to the different forms of capital that companies are willing to invest in that will ensure that the company does not register only monetary profits but also create a stable and satisfied customer base. It is important to note that in the ancient days business starting capital simply referred to the monetary capital that an organization, individual or company needed in order to commence doing business, this is however different in the modern day business. There are three different forms of capital that a company can invest in and which can contribute to high profit returns and guarantee customer satisfaction and they are human capital, customer capital and structural capital. The three are categorized as intangible capital and they are collectively known as Intellectual Capital.

Purpose of the Paper
This essay paper will focus on one of the three main sub branches of Intellectual Capital; the Customer Capital. The success, profitability and growth of any company greatly depend on its consumers (customers). If the company provides quality and satisfactory products and services to its clients then it stands to build a strong client base. The purpose of this paper will be to answer the following questions in relation to customer capital as a branch of intellectual capital; how customer relationships can be a source of value to an organization, what metrics might be particularly important in assessing an organization's customer capital or the value of its customer relationships? Relevant examples will be given in relation to market value and changing assessments of the quality of the customer relationships. In conclusion, a brief summary of the important points that

would have been discussed in the paper will be mentioned. Customer Capital There are different forms of capital that a company relies on to remain relevant in the market, however according to Edvinsson and Malone, customer capital is the capital that drives the company's growth and without it, the business is irrelevant (Edvinsson and Malone, 1997).

It can be referred to as the capital that is constantly within the organizations / company premises when the other types of capital close for the day. The value of customers in any organization cannot be underestimated; however this depends on the quality of goods and services that the company will offer to them (customers). Kaplan and Norton have indicated that there is a customer scorecard that can be used to determine if the relationship between the customer and other capitals are mutual or not. The score card focuses on customer needs, expectations and satisfaction (Kaplan and Norton, 1992). It also covers other categories that are used to build a “ mutual relationship” between the capitals.

There are different ways in which the value of the individual customer capital can be assessed to determine their value that they add to the company; the quantity purchases that a customer purchases from a company can be used to measure the value of a customer to the company. Other ways that can be used is the debt account of the customer; a customer with no debt is more valued than one who has debts with the company. It is important to note that the market value of an asset is a combination of the book value and the intellectual capital, for instance in the banking industry, banks that offer loans at a lower interest rate and turnaround time (TAT) of processing tend to attract more customers as compared to those that have high interest

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rates. There are however some situations where customer capital is applied outside the for-profit sector, a good example is the nonprofit making organizations whose main goal is not to make profits but rather help empower the less fortunate members of the society. Summation of the Paper
In the modern business world, intellectual capital is a must for any organization that has the desire to grow and expand. This research essay has focused on customer capital, one of the main pillars of intellectual capital.

It has looked at the definition of the customer capital, it has also discussed different metrics in which the value of a customer capital can be measured to determine if the consumer adds value to the company or not. In conclusion, the paper has given different examples in relation to market value and the changing assessments of the quality of the customer relationship and also examples of customer capital outside of the for-profit sector