UNIT-6 Strategies for Customer Retention

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ D Develop a checklist for readiness and success in CRM
- ✓ Describe how CRM creates value for organizations and customers

Unit 6

Strategies for Customer Retention

Getting More from Your Core

We've already stipulated that CRM focuses on existing business. It is about getting more from the customers who already have a relationship with you, who trust you or your price, and who have the power to recommend you to others. This means that CRM focuses on what you know about what you already have.

Selling cars? On the anniversary of the car purchase, send an invitation to a special event or provide an enhanced trade-in value to your existing customers to entice them to return to you when they want to get another car.

Manage a string of hotels spread across the country? Watch people's travel patterns and know what they need as they travel to entice them back to your chain instead of visiting the competition. (For example, Holiday Inn did an entire campaign on the quality of their showerheads because they understood that their customers valued a shower that was as comfortable as the ones in their own houses.)

Perhaps you manage an airline. You have invested hundreds of thousands of dollars to make sure that you can offer the quickest reservations and the most efficient e-mail confirmation. You are the first airline to coordinate online check-in. Travelers can collect points and redeem them for travel almost anywhere, almost anytime, and for any reason. So, what could be missing from your airline loyalty driven incentives?

Imagine the following situation: Two travelers about to visit the same city visit the same website to book a flight. To the website, both customers look the same, so the site recommends a flight based on the best price or fastest route, whichever the traveler selects. Could there be a problem? Not to the website (or an individual on the end of a phone line), unless there is a way, in an instant, to figure out the big picture.

For instance, traveler number one is travelling on business. She'd appreciate a newspaper at the door in the morning, breakfast on time, and a cab to the airport that gets her there in the nick of time. She doesn't want to sit in the airport any longer than she absolutely has to, but while she is there, she needs to check e-mail, send messages, and work on a document.

Traveler number two is travelling for job interviews. She has attended interviews in three different cities this week and is tired of all the airport hopping and also feels a head cold starting. She wants to pick up some decongestant and sleep on the plane.

Both travelers arrive at the same airport at the same time. The shops are closed; the only section where a wireless laptop will work is overcrowded.

Making Connections

How do you think that the travelers will remember this trip?

What things will stick out in their minds?

Will the travelers associate their disappointment with the airline or the airport?

How will this impact their future plans?

Can the airline do anything about it?

Would your answers be different if there was something – a service or product – that your airline offered to make their experience better?

What would those answers look like?

What is the benefit to the airline (your company, remember) that your staff has met the needs of these two travelers?

What does this kind of action do for loyalty?

Customer Scenarios

Is there value in your CRM analysis to create customer scenarios that will help you:

- Explain the value of the program?
- Sell the merits of the program to internal stakeholders and your customers?

Think about what you already know about CRM in your organization. Are there pockets of uncertainty or resistance that still need to be convinced before aligning to the program?

Customer scenarios can help describe the merits of CRM to many people and for many reasons. Web developers need to understand customer thought processes in order to develop software that seems to be intuitive when the customer uses it. Scenarios can be used to strengthen relationships (e.g. between marketing and production areas so that they can see their common threads). They can also be used to create business models.

What do you think the values of scenarios are in your CRM program?

When some companies try to create customer scenarios, they really focus only on the point where the customer comes into contact with their company. Although that is important (and is known as a “touch point”), it is not the center of the customer’s experience. Knowing how the customer gets to be the customer is also really important.

Creating the customer scenario is difficult and it requires that you think beyond the company’s stated or implied objectives. Start by mapping some simple scenarios and then ask for people’s input so that you include everything.

Steps for Success

Here are the basic steps for creating customer scenarios.

Step One: Select customer target
- Clearly define the customer.
- For example, a business traveler using an Internet booking platform.

Step Two: Identify the customer's goal
- What exactly does the customer need?
- When do they expect to have what they need?

Step Three: Empathize with the customer's situation
- Put yourself in their place.
- Imagine their fatigue, frustration, concern, or questions.

Step Four: Decide on a start and end point
- Determine where your interaction with the customer starts.
- Decide what the end point of the scenario will be (usually when the customer is satisfied with a result).

Step Five: Map out different variations
- Walk through each step of every potential answer.
- Generate as many variations as you can think of realistically applying.

Step Six: Know what the customer knows
- Walk through each step just as though you were the customer.

Step Seven: Review internal service points to support the customer scenario
- Identify every step where your company can support activities or supply information.
- Where can you save the customer time or frustration?
- How will your influence impact the choices that your customer makes?

Step Eight: Integrate solutions
- Identify how you can use your sales team, website, call center, internal experts, and front line staff to support the customer scenario.
- What new resources will you need? What processes would have to change? What technologies will you need?

The Real Purpose

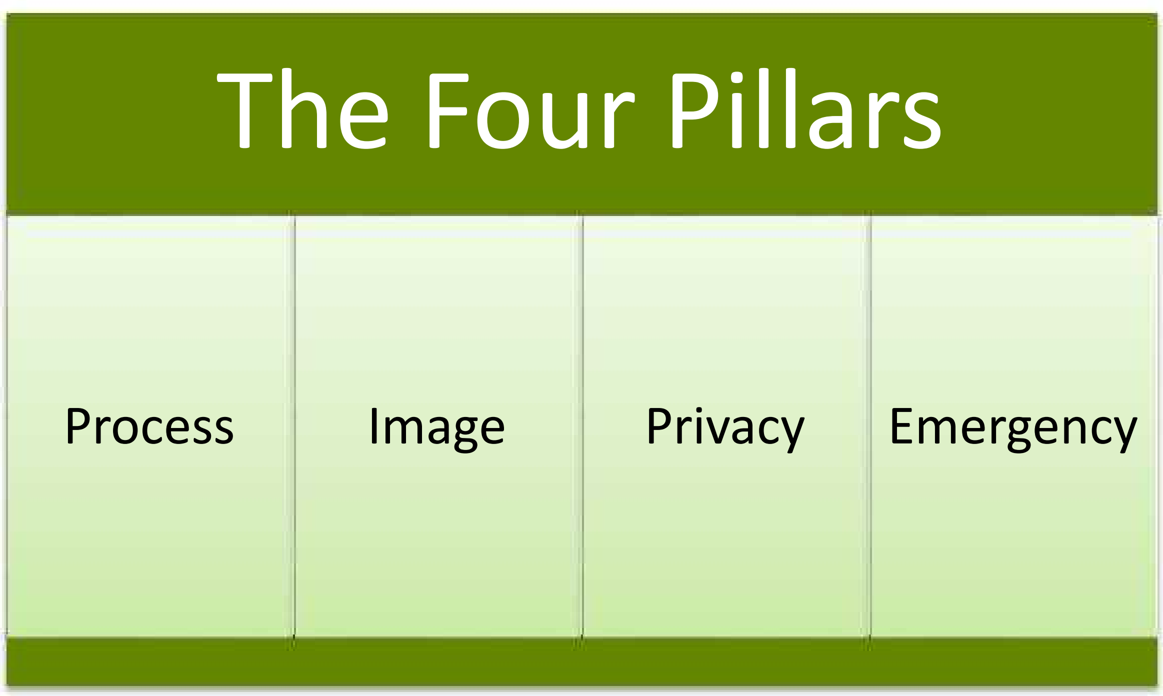
When you are creating your own scenarios – and you will need to complete different ones for different customers – you'll begin to see patterns emerge. By focusing on the things that appear in common in multiple places, you can develop processes that give you the most impact for the organization. Then, and only with careful planning and execution, you can bring customers to you to test your assumptions with people who actually use your products and services, refining your scenarios, and producing new ones. In an ideal situation, your customers will even present you with defined scenarios. Thinking broadly about the challenges that your customers have instead of focusing inwardly on what you can sell, means that you are making their lives easier, which is what earns you true loyalty.

Building the Future

Roadblocks

Introduction

Like any project, CRM can encounter roadblocks, but you need remember that many organizations have implemented CRM with resounding success. Keep in mind that most roadblocks don't only happen once; they tend to happen repeatedly, undermining the system, and eating away at the bedrock below the surface. There are other erosion factors, but these are the big ones:



Process

When a company is slow or unwilling to make the changes needed to implement CRM, the effects are immediate. Some companies are unwilling to try and some have very weak processes already, so making change is almost impossible unless significant structure is provided. Others purchase a CRM tool and discover that it does not fit their business. Others succumb to politics that simply do not support the goals of the organization.

Image

You may have heard the expression, “Image is everything.” It’s true with CRM. End users must see CRM as something that strengthens their jobs (possibly even view it as the only way to do their jobs) instead of perceiving it as the “flavor of the month” or just another new string of corporate policies. After the program is launched, it should result in people performing new tasks that make their jobs easier, while enhancing their customer relationships at the same time. Their perception is what brings customers back to your store, site, or service. CRM can service your customers’ high expectations of your company and what it offers, or it can have them glancing toward your competition.

Privacy

Privacy regulations are evolving just as quickly as (and even faster than) many business practices. Any company that collects personal information also collects information on data storage, cookies, phishing, spam, and spyware.

Whether or not regulatory governance continues to tighten its grip on data collection, the public seems to be very much in favor of punishing companies that violate people’s privacy. You have to understand certain features around privacy in order for people to willingly exchange information with you. For example, individuals are much more willing to share personal information with you when they receive something valuable in return. CRM planning has to include sufficient motivation to encourage customers to continue feeding you their information willingly.

Emergency

You’ve probably heard the saying, “Poor planning on your part does not constitute an emergency on my part.” Except when it does, of course. If you launch a CRM project and staff do not know who is doing what, when it takes place, or where to turn with questions, your program will undermine itself. Program managers and the development team must work closely together in order to ensure a meaningful launch that is well received.

You will also have to consider that any time you change something, you risk losing customers; some people do not respond well to change, and you are never going to get everyone to agree that they need to provide their very personal information to you. Finally, if you launch a new program or product and your customers are continually faced with servers that are constantly down or too busy, or if their calls are continually answered with messages of the “We’re sorry, but we are experiencing a large volume of calls” variety, customers will flip to another website or another entry in the telephone book.

Selling CRM

You have developed a basic idea about retaining customers and launching a new program or aspect of CRM within your organization. With this in mind, answer the following questions.

Who are three difficult converts to this plan (such as internal staff or external customers that may not instantly embrace this idea)?

Using some aspects of this workshop, as well as other things that you know about CRM, how will you sell the benefits of CRM, gain support for manpower (as well as money), or convince people to provide you with their personal information?

There are really no right or wrong answers; use this time to think aloud and come up with some ideas for how you can manage these objections in your upcoming work.

Homegrown vs. Application Service Provider

A Broad Look

Up to this point, we have been discussing CRM as though it were a program built within your organization, since many organizations create an in-house system. However, there are also growing opportunities to outsource CRM using an Application Service Provider (ASP), and these are becoming very popular. Using an ASP means that you do not have to enhance certain aspects of a program, such as hardware, software, network, or Internet capability; find IT expertise IT; and more. An ASP can be a tremendous resource. They are an increasingly popular alternative for organizations that lack infrastructure, but are highly motivated to support a customer retention program.

On the surface, using an ASP may seem to be merely outsourcing, but ASPs are actually well integrated with their customers. There are two types of ASPs:

- Web hosting firms that provide customers with the Internet platform and presence in addition to up-to-date and robust technology.
- Application providers that support specific products and product packages.

You have to be as careful when selecting an ASP as you would be when designing an in-house CRM program. When dealing with the ASP, the customer sees or hears your brand, your products, and your site, so selecting an ASP should be a rigorous process. Companies provide the following reasons for not using an ASP.

Changing Requirements

If your CRM program requires continual tweaking (including multiple ways for an end user to utilize the system and provide input) because of the nature of your business, an ASP with limited capacity, or which offers only pre-defined functionality to CRM, will not be of sufficient benefit.

Complexity

Even though we may try to keep things straightforward, some processes and organizations are extremely complex. Some companies want the flexibility to test and market products with great frequency and they require tight deadlines. ASPs can be restricted to their own resources and the structural limits of their programs.

Integration

Data is always complex in the CRM environment and, if systems do not integrate well, we already know that failure can result. ASPs must integrate with the organization in order to provide reliable data in a reasonable manner. This can be difficult.

Contract Bungling

If a complex and strategic CRM system is highly customized but remains within the management of the ASP, the balance of power can shift. Contracts have to be well written and understood so that critical information is released to the organization and not held by the ASP for pursuit of their own business. Privacy compromises, as well as data loss, can result from a contract with an unscrupulous ASP.

Of course, there are plenty of examples of solid ASPs offering real CRM support. As with many things, checking references and conducting good research can help to ensure that you find the right ASP, or it may help you to decide to manage your program internally.

Generate a list of 15 questions that you would use to interview potential ASPs.

A Closer Look

Think of CRM programs, either within your industry or within the loyalty program industry as a whole. List the names of three programs in the table below. Then, write down at least three questions that you would like to ask each program's key people about their CRM program and any reliance on an ASP.

Program One:	
Question One:	
Question Two:	
Question Three:	

Program Two:	
Question One:	
Question Two:	
Question Three:	

Program Three:	
Question One:	
Question Two:	
Question Three:	

Further Reading:

- ✓ Freeland, John. *The Ultimate CRM Handbook.* McGraw-Hill, 2002.
- ✓ Katzenbach, Jon R, Lederer, Chris, C.K., Ramaswamy, Patricia B. Prahalad, and Sam Hill. *Harvard Business Review on Customer Relationship Management.* Harvard Business Press, 2002.