

Practical Aspects of Customer Retention: Keys to Success



Mobility Leadership Forum

Taipei, 11-12 September 2001

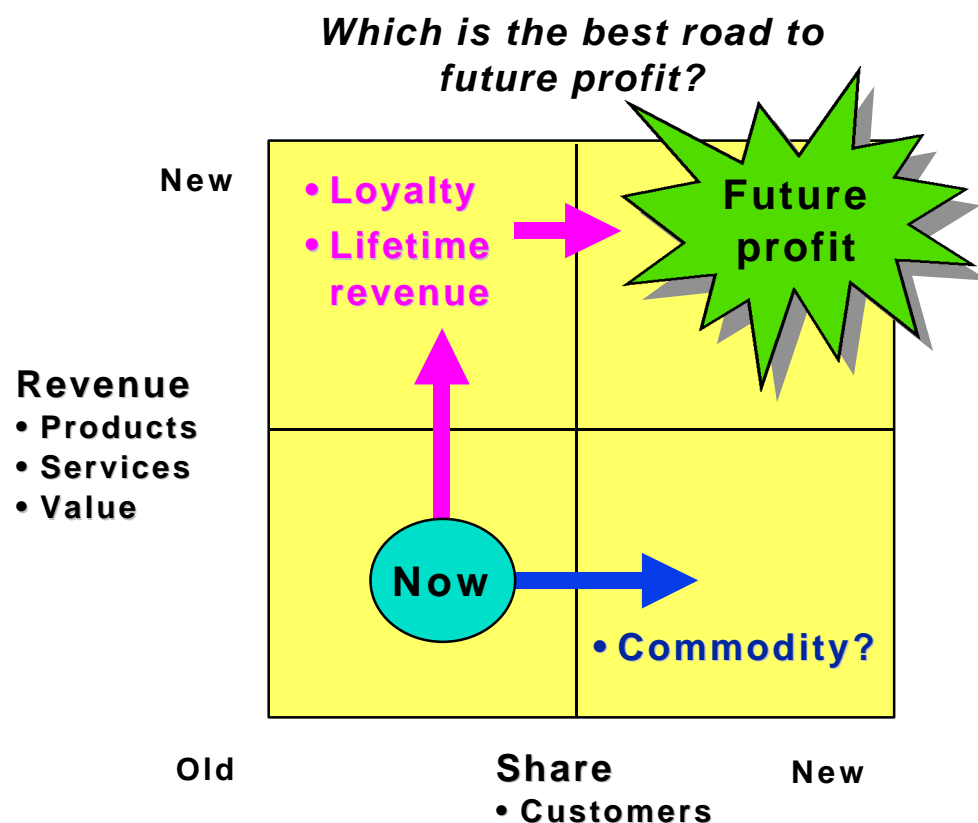
Vance Chan

Managing Director, Vance Chan Associates

www.vancechan.com



Customer retention: Let's not forget why we're here

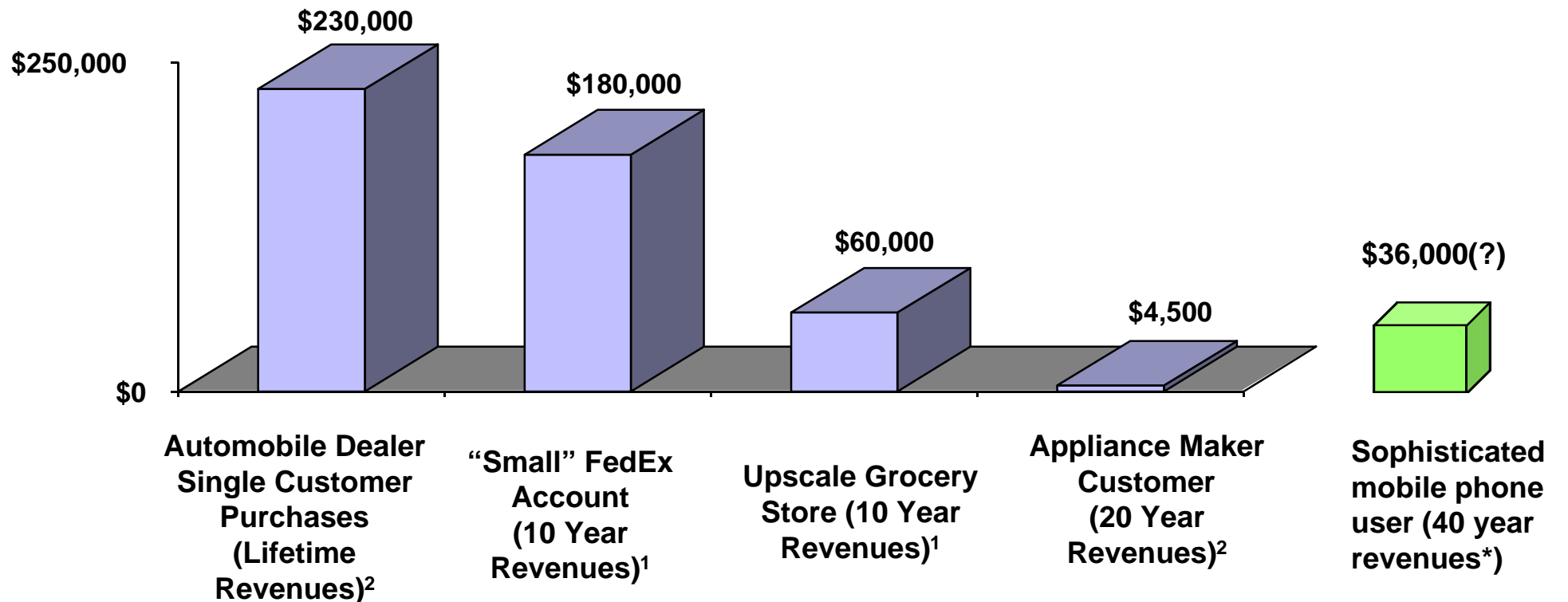


It's easier to get \$10 from a customer you know than \$1 from a stranger

- Built-in brand awareness and preference
- Existing sales and distribution channels
- Existing relationships
 - Customers know you, your company, your products and services, and your strengths
 - You know your customers, their needs, and their expectations



Some companies have begun to take a life-time value view of their customers



¹ Peters, *Thriving on Chaos*

² "Making Service a Potent Marketing Tool," *Business Week*

*Conservative; assumes
ARPU = \$75/month x 480

Harvesting this life-time value requires a well-planned, cross-functional approach



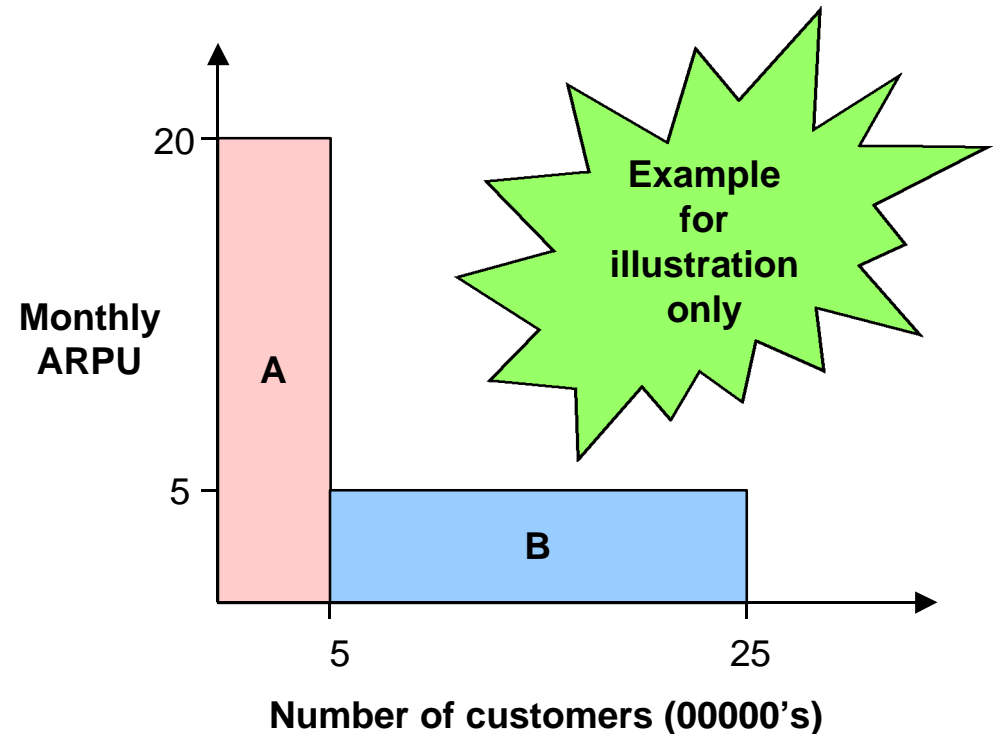
Some practical keys to remember

- **Churn will always happen – careful customer segmentation will help to minimize the impact**
- Let the customer define the service and the price
- Have a roadmap – for both strategy and technology
- Customer management is more than just a call centre issue
- Several key systems interfaces must be developed
- The roadmap is the basis for an integrated implementation plan
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



Which customers should we be trying to retain?

- **Define the segments**
 - Demographics
 - Economics
 - Usage profile or behavior
- **Measure ARPU by segment**
- **Measure segment growth**
- **Prioritize and develop retention strategies and programs accordingly**

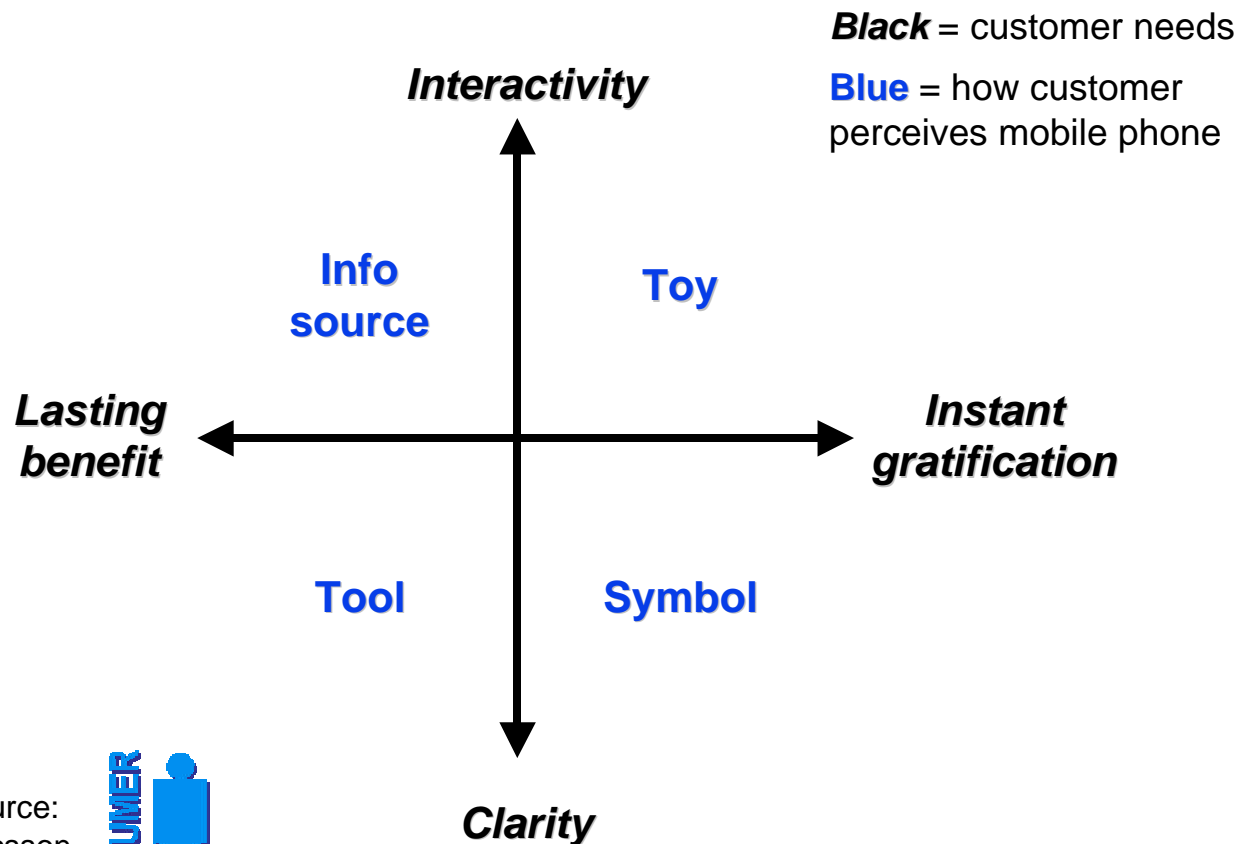


Revenue from A = 10 million
Revenue from B = 10 million

Which segment would we rather retain?



Segmentation approach --- one example



- How many in each segment?
- How fast is segment growing?
- What other characteristics and preferences do they have?
- What services do they want?
- How much will they pay?

- Which segments do we want to attract and retain?
- What should we offer them?
- What else should we do to keep them?
- What financial and operating impact can we expect?

Source:
Ericsson
Consumer
Lab





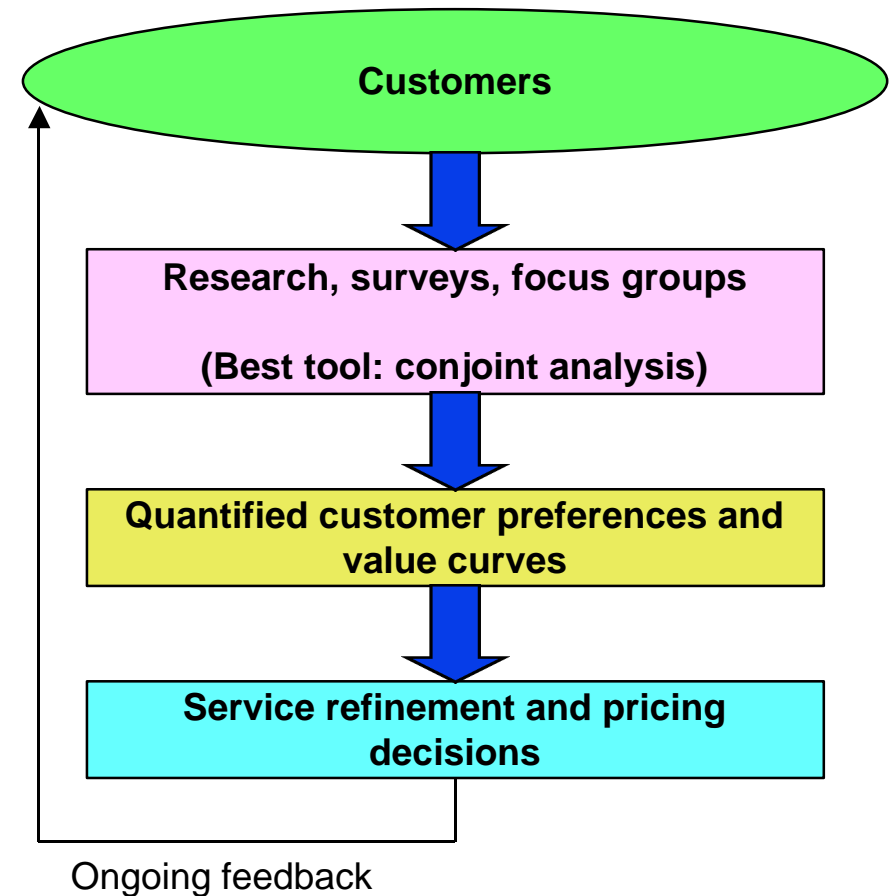
Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- **Let the customer define the service and the price**
- Have a roadmap – for both strategy and technology
- Customer management is more than just a call centre issue
- Several key systems interfaces must be developed
- The roadmap is the basis for an integrated implementation plan
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



The #1 secret to customer retention: Ask customers what they want – and how much they want it – and give it to them ASAP

- The big lesson of the internet era: “If you can’t bill it, kill it”
- Pricing should be based on perceived value – by customers
 - The right reasons: customer feedback and preference
 - The wrong reasons: what everybody else is charging, what you think the market will bear.
 - Use a professional research organization – don’t guess!
 - Look for the right statistical tools
- The key factor to determine is willingness to pay





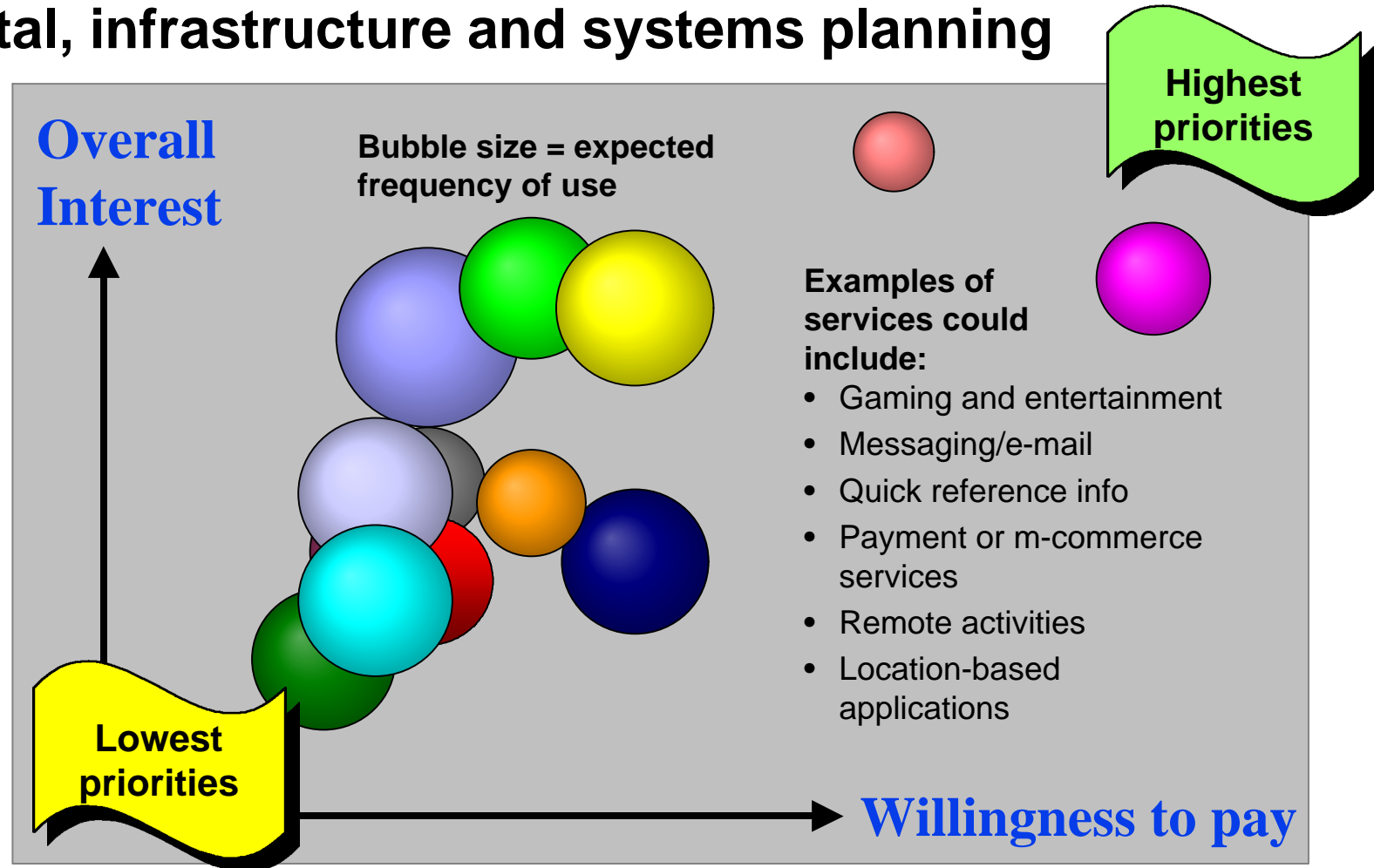
Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- Let the customer define the service and the price
- **Have a roadmap – for both strategy and technology**
- Customer management is more than just a call centre issue
- Several key systems interfaces must be developed
- The roadmap is the basis for an integrated implementation plan
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



Customer needs should drive the roadmap for service development – which in turn drives capital, infrastructure and systems planning

Mapping customer needs should produce a Roadmap that should prioritize both services and technology requirements over time



Source:
Ericsson
Consumer
Lab





Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- Let the customer define the service and the price
- Have a roadmap – for both strategy and technology
- **Customer management is more than just a call centre issue**
- Several key systems interfaces must be developed
- The roadmap is the basis for an integrated implementation plan
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



It's not just the call centre – customer retention is affected by all of the key touchpoints

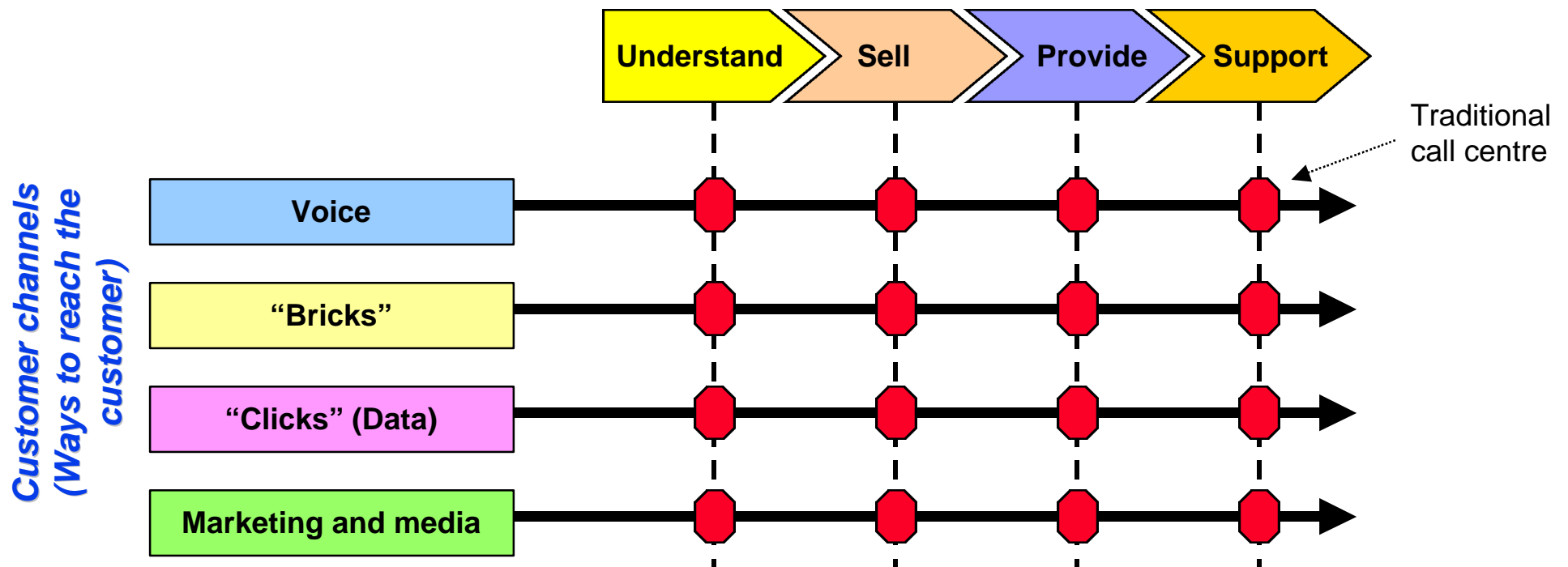


Customer Touchpoint	Examples: How Retention Can Be Maximized
The call itself	Call quality Monitor and analyze usage and behavior; apply to segmentation and marketing
Advertising and promotion	Loyalty programs; service bundling
Customer service and support	Enhanced call centre (not just help desk) functions Training in customer-facing skills
Data channels (messaging, internet, etc)	Click centre development Marketing messages
Walk-in or in-store service	Cross training for both sales and support
Billing	Use bill presentment as marketing channel
M-commerce: partner service (banking, merchants, other providers)	Partner training; link from operator help service to partner help service
Customer surveys	Understand user preferences and behavior; modify offerings accordingly
Pilot programs	Test new services, bundles, etc to refine offerings before mass rollout



Systematically identify the mix of channels and create specific programs for each touchpoint to build loyalty

Customer-facing objectives (Why we reach the customer)



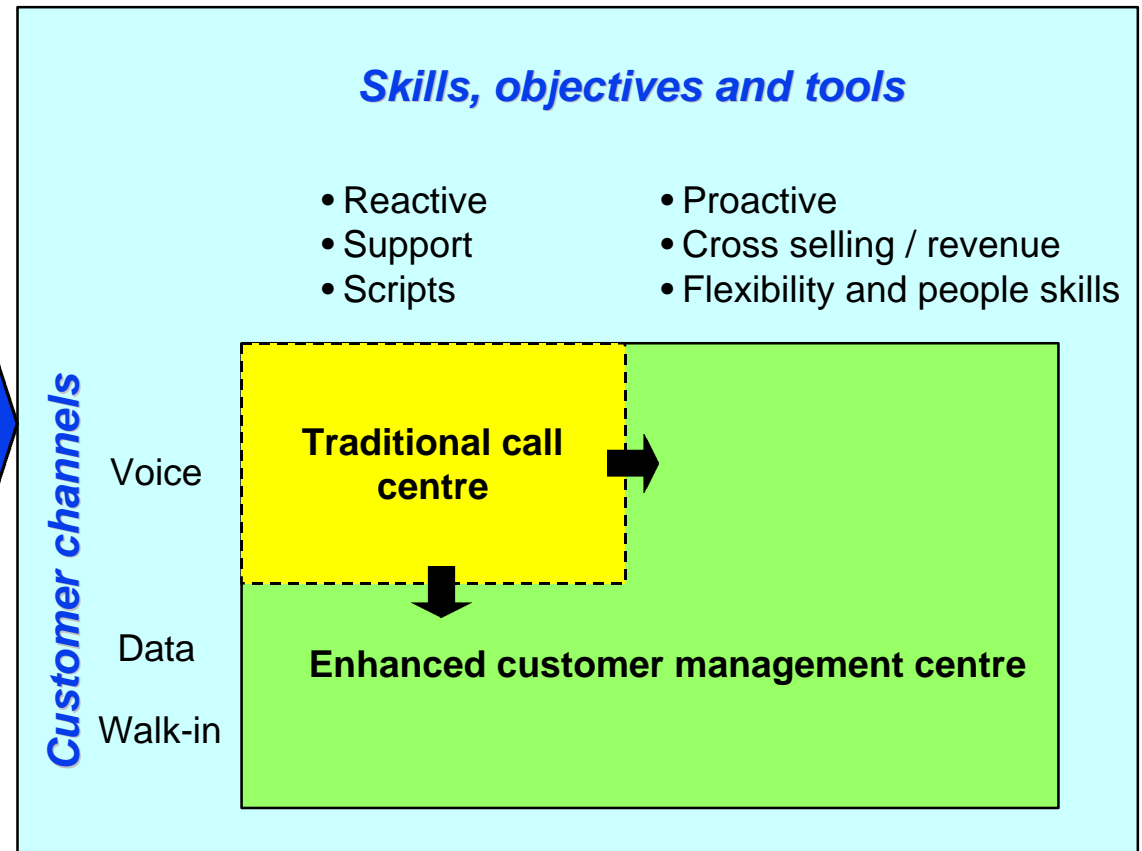
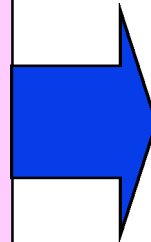
A complete map is the best way to maximize retention



What new skills and behavior are needed?

Other industries (banking, travel, etc) have led the way:

- Traditional call centre expands in scope
- Manage all the touchpoints
- Channels become 2-way to the customer
- No longer just static support
- Can generate revenue through cross-selling
- Significant training and recruitment impact





Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- Let the customer define the service and the price
- Have a roadmap – for both strategy and technology
- Customer management is more than just a call centre issue
- **Several key systems interfaces must be developed**
- The roadmap is the basis for an integrated implementation plan
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



Which other parts of the operating systems need to be adapted or modified?

Billing and presentment

- CDR flow and content to capture customer info
- Bill content and format
- Additional channels for presentment
- Reconciliation with partners for revenue sharing



Allow sufficient lead time to make necessary modifications

Customer data base

- Ability to segment
- Capture demographic, other info
- Ability to identify ARPU by segment
- Capture additional data about usage or purchasing record (for m-commerce)
- Link to customer management system (preferably on-line) at various touchpoints (call centre, click centre, walk-up, etc)



Consider nature of link to other enterprise systems (accounting, customer order fulfillment, etc)

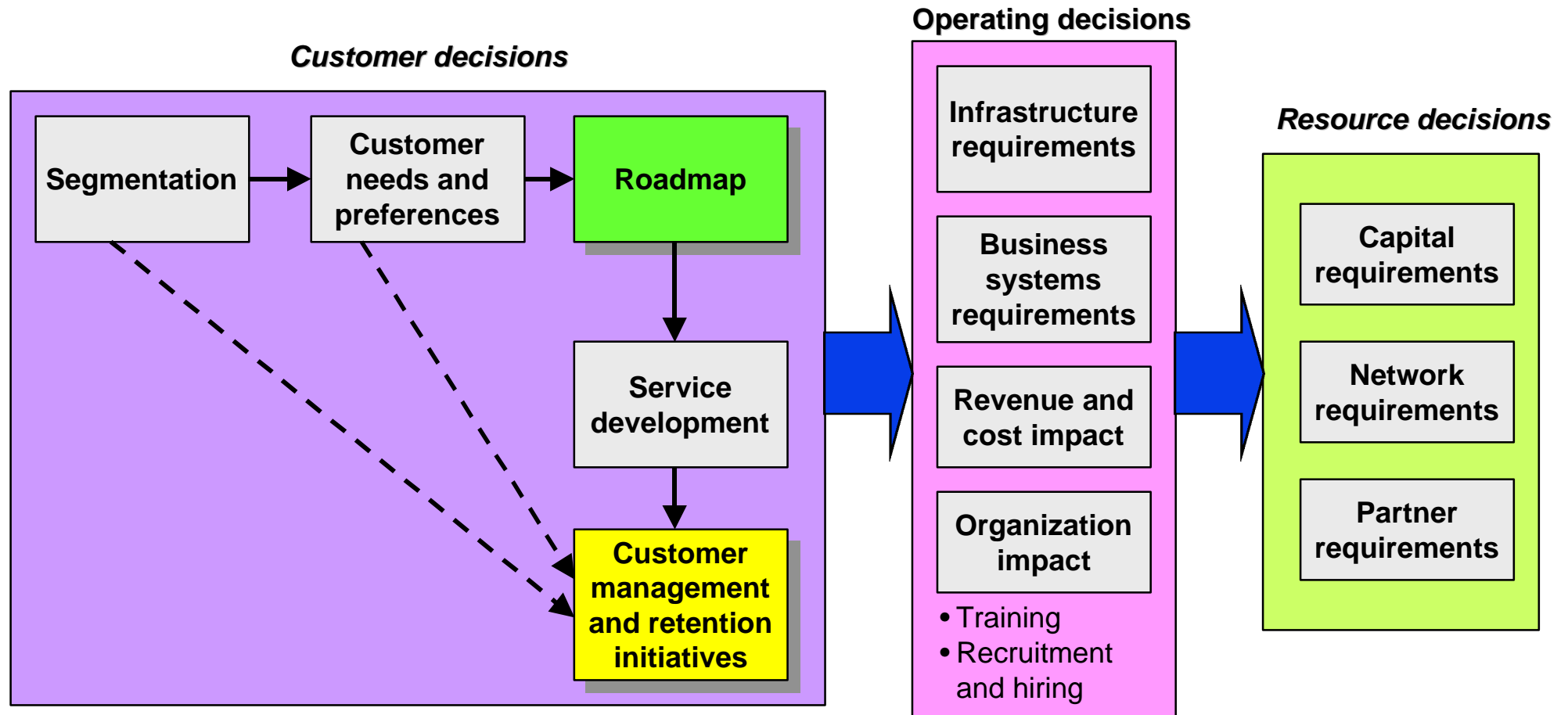


Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- Let the customer define the service and the price
- Have a roadmap – for both strategy and technology
- Customer management is more than just a call centre issue
- Several key systems interfaces must be developed
- **The roadmap is the basis for an integrated implementation plan**
- If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think



The context: key decisions to make before implementation can begin



The stakeholders of customer management and retention are cross-functional



Some practical keys to remember

- Churn will always happen – careful customer segmentation will help to minimize the impact
- Let the customer define the service and the price
- Have a roadmap – for both strategy and technology
- Customer management is more than just a call centre issue
- Several key systems interfaces must be developed
- The roadmap is the basis for an integrated implementation plan
- **If you are customer-centric, it's hard to go wrong --- but being customer-centric is harder than you think**



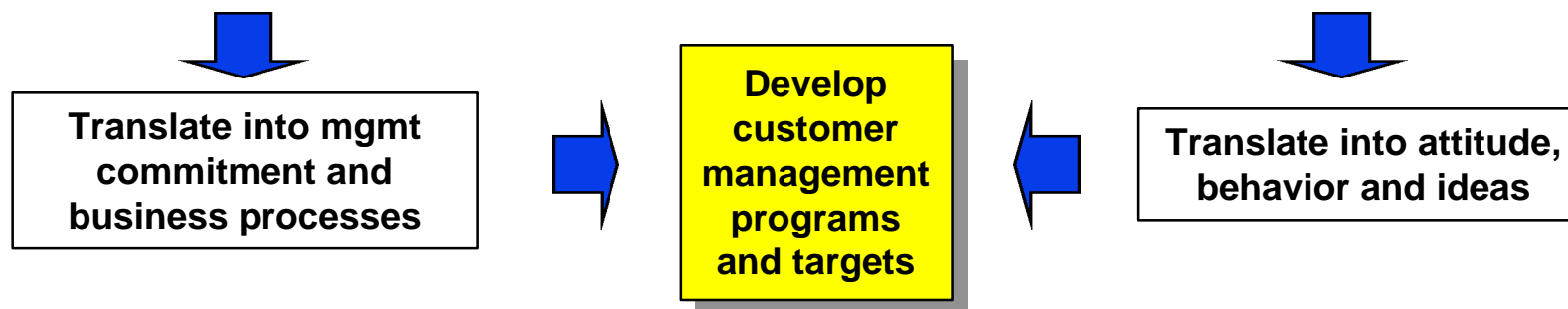
Becoming customer-centric requires commitment to adopting and combining two points of view:

At the Business Level: Policy and Process

- Customer needs should drive business (product, service and marketing) decisions
- Business decisions should drive technology decisions --- not the other way around
- Resource allocation and priorities should begin with the customer-facing functions, and “trickle-down” from there to support and overhead functions

At the Individual Level: Attitude and Creativity

- “How can I make the customer want to do business with us --- again and again?”
- A customer becomes a repeat customer if he or she gets:
 - Value for money -- the right offering, the right quality, the right price
 - Reliable service
 - Quick (and correct) answers to questions and clear reasons for the answers





Individual goals and incentives should reinforce the customer-centric “mindset”

- **Specific targets and measures of success should be established for major programs, e.g. Reduce response time, Penetrate key segments, etc**
- **Individual measures and incentives for key managers should be adjusted (i.e. balanced scorecard to include a customer satisfaction performance measure)**

Top management must be committed to these principles, or the company will never be customer-centric



The one-page checklist: Successful customer management has four key ingredients

Understanding the customer(s)

- Who they are
- What they want
- Why they buy
- When they buy
- What they value most highly and why
- How they can be segmented
- Which segments we want to target -- and which ones we care less about

Roadmap and programs with clear objectives

- Loyalty and retention
- Value-added offering
- Multi-channel service and support
- Warranty
- Upgrades
- New product or service launches
- Technology implications

Systems and infrastructure

- Market research
- Customer communications and feedback
- Customer database, data mining capability, link to enterprise systems
- Service and distribution
- Billing
- Partner interface
- Monitoring and corrective action

Mindset

- “The customer drives the business, but we can influence the customer”
- Top-down involvement
- Cross-functional program management and co-operation
- Training in new skills
- Changes in individual behavior
- Adjustments to accountabilities and incentives

How does your company rate? Are you ready?

About the speaker...

VANCE CHAN works with multinational, regional and local companies to develop and implement change to business, product and technology strategies. He has more than twenty years of executive-level consulting experience and has a broad base of experience in Asia that includes industries as diverse as telecommunications, electronics, consumer goods, computer products, airlines and transportation, energy, health care and pharmaceuticals, food and beverage, automotive, and chemicals.

Vance holds MBA and undergraduate degrees from Stanford University. He was formerly Director of Arthur D. Little's Technology and Innovation Centre in Singapore, and a Director of the Pacific Rim Consulting Group in Hong Kong and Singapore. He began his career as a program manager on the corporate marketing communications staff of Hewlett-Packard in the US.

Vance and his family have lived in Asia since 1992 and are currently based in Singapore.

A partial list of the clients Vance has served in Asia includes:

- Philips
- Nokia
- General Motors
- Ford
- Cathay Pacific
- Bristol Myers-Squibb
- Clorox
- Ericsson
- Texas Instruments
- TetraPak
- Dun and Bradstreet
- Seagram's
- Qantas
- Pharmacia & Upjohn
- Tandberg Data
- National University of Singapore



VANCE CHAN ASSOCIATES
STRATEGIC CHANGE

vance@vancechan.com

Tel: +65-9816-9325

Fax: +1-520-438-8448