

eCRM: Customer Churn

How do I identify unhappy customers? How do I retain them?





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Fierce competition, dwindling product differentiation and vanishing loyalty are placing a constant price pressure on retailers. Even loyal customers can be attracted by competing brands and offers. At the same time, failing to keep your brand fresh can result in customers getting bored and losing brand interest. Under this context, many retailers are attempting to build a retail brand that the consumer perceives as uniquely satisfying.

While less-established retailers tend to focus on acquisition, it is accepted that most successful retailers focus on retaining their customer base. It's always more cost-effective to try and patch up a soured relationship with an existing customer rather than to attract a new one.

However, allocating resources to retain and grow the entire customer base is wasteful – what's important is always to focus on the quality of market share rather than the quantity. The final objective for successful brands is to have a profitable long term customer base.

In our previous white paper, we looked at the four elements that make up the loyalty mix: access, price, brand and assortment. There are two additional factors crucial for brands to understand: switchability (the ease with which a customer can move to a different retail vendor) and substitutability (the ease with which one product can be substituted for another). The extent to which the brand is exposed to these risks will determine how vulnerable they are to customer attrition.

Spot the warning signs

The sooner you can identify problems with your customer base, the sooner you can take action to remedy the situation. Warning signs to look out for include:

- Increased volume of complaints to your customer call centre (or via email to your customer service department)
- A reduction in renewal rates for contracts

- A decline in open rates for newsletters and click-through rates
- A decrease in web traffic
- A growing number of cancelled subscriptions, unexpected returns or complaints of spam mail
- Reduced sales figures
- Unexpected complaints or negative comments on social media which threaten the brand reputation

Gather your facts

Trend analysis can be used to anticipate customer dissatisfaction and track it over a period of time. This is done by taking a total number of your customers at a given time and comparing it with an historical figure, usually one year ago. If your customer numbers have diminished over the year, then you need to understand why.

You can also assign an attrition score to individual customers. You do this by scoring their responsiveness to communications (measured in open rates and click throughs) from one to five. This allows you to judge in advance who the customers at risk of straying are.

Once you have identified customers at risk, you can refine this with further statistics by looking at the RFM (recency, frequency and monetary value of their purchases) and LTV of the customer, plus how often they are opening your emails, their click through response rates to your messages and their interest in your offers.

Sort the wheat from the chaff

Before you allocate resources to winning back customers, you need to pinpoint the customers worth fighting for. Not all customers are worth retaining. Reconnecting customers to your brand brings with it a cost, so you need to carefully select the accounts which justify this expense.

How do you identify the customers who are profitable to your company and who have good



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potential for future purchasing?

The first step is to eliminate all inactive and dormant accounts. If a customer's email address is no longer valid, or if they are no longer opening any of your communications, they can probably be dropped.

Next choose the time frame you want to look at (last month, six months, 12 months) which will vary according to the product or service you are offering. You can then examine their activity during this time period. Is this a regular customer who has dropped off for some reason? Or have they only purchased once or twice in the past?

While an 80% drop in activity from your customer pool would set off the warning bells, so too would a 20% loss from your most profitable customers, so it's important for your marketing department to fill in some of the gaps in understanding who your unhappy customers are and their potential to your firm.

Once you've identified customers worth actively retaining, you can analyse your history with them. Statistical tools can be used to help you understand their path. Cabestan offers solutions to marketing managers to help them address these situations and they can define the parameters by which they assess the customer.

Tools to gauge the value of your customer include segmenting by SML (Small, Medium, Large) to position your customers on a scale based on the value of their patronage. As mentioned above, their RFM score will also highlight the customers who are too valuable to lose to your competition.

Let the wooing begin

Once you've identified the customers you are going to target for a retention programme you now need to set about wooing them back to your brand's embrace. How?

- Target them with a special promotional campaign
- Offer discounts on their favourite products
- Offer free shipping to encourage him or her to purchase again

- Look at their history: were they recruited through a game? Then a new game might win them back
- Do whatever you can to arouse their curiosity, customise your communications with them or facilitate their re-engagement with your brand
- Use social networks, especially fan pages, to interact with them in a different environment aiming to open up a dialogue (though if they are genuinely unhappy you may not want to invite them to your social media spaces where they could rant and post unflattering things about your company)
- You could take the direct approach and ask them via email, phone or letter if they are unhappy with your brand, products or service
- Acknowledge where you have failed them and try to make amends
- Try to get a conversation going with the customer which allows you to get to the heart of their dissatisfaction and come up with an agreeable solution

An ounce of prevention

Before you even get to this point, you want to monitor your customers, keeping on top of their satisfaction level, to avoid having to go through the costly and time consuming process of trying to get them to re-engage with your brand.

Brands have a vested interest in regularly measuring the quality of their customer relationships to detect those that are at-risk in order to correct the situation before it gets worse. The easiest way to measure your customer satisfaction level is to ask them on a regular basis. This might take the form of a customer satisfaction survey which you offer quarterly or annually depending on your needs (you may need to offer an incentive for them to partake). You could also have a satisfaction survey after any delivery. Get your call centre staff to regularly poll your customers and to flag up any negative comments. Likewise in your retail centres staff should be trained to pick up on any complaints. You should



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also make a habit of searching your brand on social media sites to see what people are saying about you.

Provide customers with a customer preference centre to easily update their preferred method of communication as well as how frequently they wish to hear from you. Make it easy on emails to unsubscribe or change the frequency of delivery. Any newsletter should have a 'change preferences' button to allow you to better monitor and respond to your clients' changing wishes.

Your aim is to bring your customers the information they want at a pace they are comfortable with. There is no 'one size fits all'

approach when it comes to speaking to your customers.

If a customer hasn't purchased for a while, there's nothing wrong with being up front about it. An email with a subject like of "We miss you" or "What's going on?" can lead you to the heart of the matter and open the doors of communication. Better to be bold and confront the situation before the customer just drifts away.

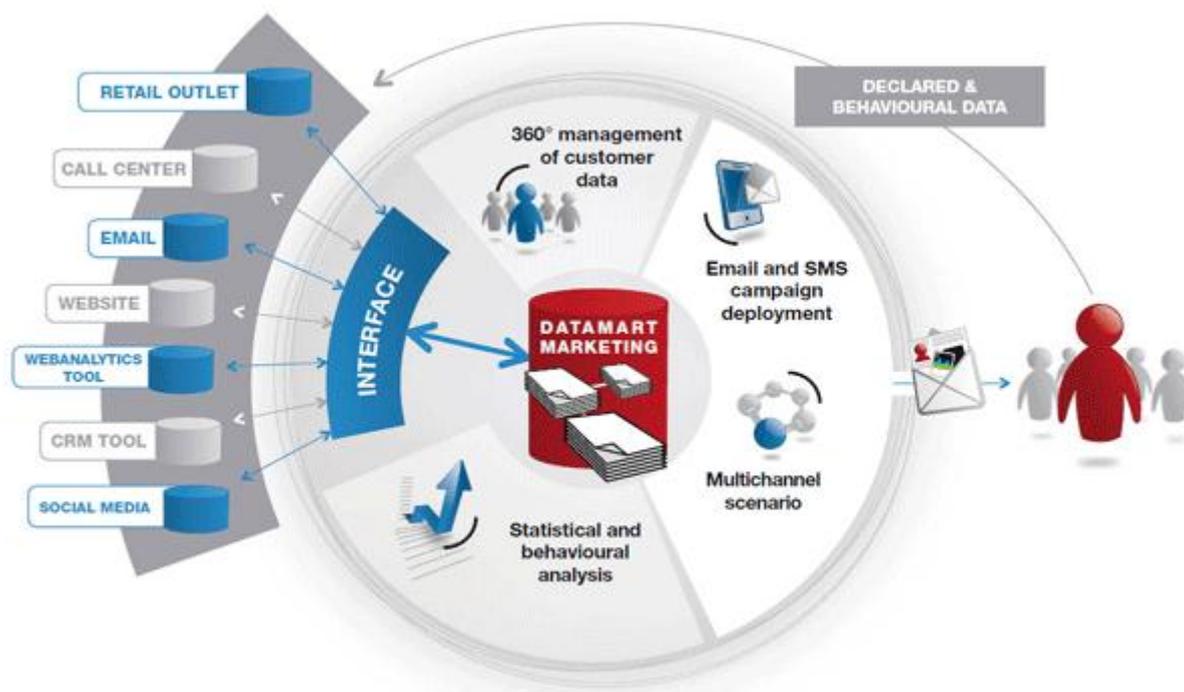
While this is undoubtedly a lot of work, holding on to your best customers needs to be one of the prime goals of any profitable company. A little bit of regular work to test your customer satisfaction levels, and acting immediately on any problems, will help to smooth the ride for what you hope will be a long and profitable customer journey.

About Cabestan

Cabestan are specialists in consumer engagement by Email and SMS.

As industry leaders for over 12 years, Cabestan develops the only SaaS platform to coordinate and orchestrate your marketing campaigns. The **Cabestan** platform provides a flexible way to manage your relationships across the entire customer lifecycle.

Our solutions give you a 360° view of customer data allowing you to plan and deliver personalised and real time marketing communications resulting in greater marketing effectiveness.



Cabestan's platform delivers the following powerful tools:

- 360° management of customer data
- Email and SMS campaign deployment
- Multi-channel campaign management
- Statistical and behavioural analysis with real time data

Companies using **Cabestan's** campaign management platform include: **Axcion, General Electric, Toys "R" Us, Estee Lauder, Symantec, Yves Rocher, GDS Suez and Renault.**

Cabestan is a global company with offices in London, Paris, Madrid, New York and Montréal.

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