Rethinking Communications to Improve Retention

Transitioning from campaigns to ongoing dialogues

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ABSTRACT

While analyst reports confirm that telecommunications continues to be a growing industry, markets, particularly in the U.S. and Europe, are maturing, and competition is on the rise. Technological inventions, network expansion and increased data speeds all offer room for growth—but usage of phone minutes has gone flat, wireless penetration in countries like the U.S. actually exceeds the size of the population, and, as the quality and reliability of wireless networks continues to rise, more users are opting to abandon their landlines. Likewise, wireless internet access is encroaching on DSL usage and new competitors, such as Skype, have entered the traditional telecom space.

In the face of this more competitive marketplace, smart telecommunications executives are turning their efforts to providing a better customer experience to set their businesses apart, improve retention, and win over other providers’ customers. Communications are at the heart of these better customer experiences. By creating interactions that better reflect customer needs, preferences and situations, these businesses are creating effective dialogues that forge and reinforce stronger bonds with their customers.

This whitepaper explores the challenges that telecommunications face today as they work to reduce churn and grow revenues in a maturing marketplace. It looks at what works—and doesn’t—when it comes to retention marketing, considers the importance of customer-centricity, and outlines a strategy for dialogue-focused interaction that helps retain and grow customer relationships.
The truth about retention marketing

Traditional retention marketing takes the approach that contacting customers to express appreciation for their business and ask for their continued patronage is the best way to keep them.

The truth is, however, that retention marketing of this type can sometimes actually be detrimental. There are times when calling attention to the relationship will actually drive customers away. It may remind them that they’ve purchased a solution that they are paying for and not using or that there might be a newer, better option available through another company. It might remind them of prior frustrations. And, particularly in instances when a contract term is expiring, traditional retention marketing—outreach to all customers—can spark shopping and churn even as it tries to prevent it.

Effective retention marketing homes in on opportunities to make a positive difference and steers clear when its efforts are likely to have a negative impact, or no impact at all. It requires careful analytics and customer sensitivity to determine what, where, how and why communications are appropriate; and, it outlines a strategy for cross-channel dialogue that makes the most of each customer interaction it undertakes.

The need for customer-centricity

Across industries and around the world, businesses of all types spout claims of customer centricity. However, there is a vast chasm between most business’ claims and their actual organizational structures and service delivery. An immediate shift from being organized around products and channels may be impractical or infeasible, but better customer understanding can improve service delivery and is essential to reducing churn.

Service delivery must start with a clearer understanding of customer expectations. Thanks to the very devices and technology that telecom companies supply, consumers have a much greater understanding of and experience with businesses today—and their expectations are higher than ever:

- They expect to be understood: they have handed over data, and expect it to be put to good use.
- They expect to be valued and they know that they have options.
- They expect businesses to be connected; and expect to be recognized even as they move across channels.
- They expect relevancy and hate repetition.

Most of all, they expect businesses to deliver upon their promises—and those promises generally convey that customers are the center of each business’ universe.

It’s time to make every message count

Service delivery also requires businesses to recognize that customers are suffering from ad fatigue, inboxes and mailboxes are overstuffed, and social media provides alternate sources of product insight. If there is any doubt that businesses today tend to over-communicate in efforts to retain customers, today’s high opt-out rates provide the proof.

Mobile providers, in particular, have a steep uphill climb to return to favored status with their customers. A recent study indicates:

- Only 31 percent of mobile customers feel that, if they shared their problems with a service provider, they would receive a caring response.
- Only 40 percent of customers trust their mobile provider’s communications.

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1 Prof. Chris Halliburton and Adina Poenaur, ESCP Europe Business School, 2010 – study conducted in conjunction with Pitney Bowes
A mere 24 percent of respondents believe that their mobile network operator is doing a good job at implementing management policies and practices that govern customer interactions.

Additionally, 42 percent of customers stated that they are satisfied with the treatment, relationship and services they receive from their mobile network operators.

It is essential to create interactions that are more focused on the specific needs and preferences of the customer and take on a dialogue format. Simply saying “we value your business” is insufficient. Businesses need to carefully consider when and how to initiate customer communications—and what to say that will be relevant, compelling and reflective of the situation at hand. Building a dialogue is key to rebuilding customer loyalty and trust.

**Shifting from campaigns to dialogues**

Campaigns focus on action and reaction. They are direct, product-oriented, one-way, and typically channel specific and time bound. The alternative to campaigns, dialogues, take place over time rather than just at a point in time. Effective dialogues are two-way, build from new inputs to the conversation, are channel agnostic, and encompass both inbound and outbound conversations.

**Required components to support effective customer dialogues**

There are four key building blocks to shifting the focus of interactions to the customer’s needs and preferences and fostering effective dialogues. These are important groundwork to consider as they provide input for individual actions:

**Accurate data:** Accurate, actionable data is essential to ensuring informed conversations. The types of data for telecoms may include:

- **Usage:** What plans do they have, what devices do they use? What are their actual usage patterns? What are their upgrade patterns?
- **Communications:** How do they prefer to be communicated with? By mail, phone, email, text? How often are they interested in hearing from their provider? What information is of interest to them?
- **Coverage:** What services are available to them where they live? Where they work? Where they travel?

**Preference management and contact governance:**

Both of these activities must match the customer with the communication stream. The first ensures that outbound communications are sent in the ways in which the customer prefers. The second helps to ensure that the customer isn’t over-contacted; and, that the communications he/she receives are the most relevant and most likely to extend and strengthen the relationship.
A RECENT GARTNER STUDY INDICATES THAT COMPANIES CAN REDUCE MARKETING COSTS BY AS MUCH AS 80% UTILIZING AN EVENT-TRIGGERED STRATEGY—AND, AT THE SAME TIME, IMPROVE OVERALL RESULTS FIVE-FOLD.

—Cost Optimization in Multichannel Campaign Management – Gartner Research, 20 February 2009

**Event triggers:** Certain activities create “permission” for contact. For example, if a customer shows changes in usage, adds another user to a plan, if he or she moves, these and other events pose opportunities to re-engage and continue the customer dialogue.

Triggers can be good, indicating an opportunity to grow the relationship. They can also be a warning sign that a customer may be more likely to churn. Understanding events, their meanings, and the opportunities they do or don’t pose for positive customer engagement is another important aspect to improving retention.

**Cross-channel communications across touchpoints:** A customer today can walk into a retail store and ask to check eligibility for an upgrade, call customer service to review billing for their triple play, and send an email to complain about some aspect of their service—all within a short time span. In a truly customer-centric company, the store, phone, and email reps will all be able to see the other interactions that have taken place, acknowledge them to the customer, and build out the conversation without unnecessary repetition. Outbound communications should also reflect these interactions. Regardless of how a business is structured on the inside, it is one company in the eyes of the customer, and the different parts need to work together to create a unified customer experience.

**The ongoing nature of ongoing dialogues**

Effective dialogues are not about getting interactions right once at a particular point in time, they’re about getting them right continuously by connecting them across time to nurture ongoing relationships. A dialogue that begins in an e-mail can segue to a conversation that happens in a store, on a mobile device, even across things like kiosks and self-service IVRs. Businesses need to develop an institutional memory of each customer in order to be able to maintain a fluid, ongoing conversation across channels.

Give-and-take in building lifetime value

Often the lifetime value of a particular customer is big enough to merit giving them value up front to sustain the relationship for the long term. For example, in telecommunications, providing an unlimited text plan may be worth more in sustained ongoing revenue than the short-term gain received for charging for overages.

With a lifetime value perspective, it is also important to look beyond what you can say that might be relevant, to what you should and should not say. Moving to a dialogue-based strategy requires stopping to listen—and maintaining a conversation level that is comfortable to the customer. It is about ensuring that each interaction has a true potential positive value that outweighs the value of no interaction at all.

Clearly, if an interaction is customer initiated, that is reason enough in and of itself to always merit a dialogue. However, if the contact is to be initiated by the business, context is highly important. A matter of billing or compliance represents a non-negotiable, necessary contact. However, other contacts should be initiated only when they have the potential to positively impact that relationship in the long term. This will sometimes mean choosing one positive contact over another. Prioritizing communications and limiting volume in order to ensure that customers are not over-inundated with contacts is important to ensuring that the contacts that are made have the greatest potential for supporting a positive relationship over time.

**Event triggers: choreographing the customer relationship**

Event triggers take many forms. These triggers help to define when initiation of customer contacts are most justified and what the content of those contacts should be:

- **Customer life-cycle triggers** include events such as onboarding, cross-sell and contract expiration/renewal—events that relate directly to the customer’s interaction with the company.
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- **Customer life-stage triggers** mark customer life events that can impact relations with the business: for example: the customer marries, the family moves, children get their first phones, a new job has new communication requirements.

- **Transaction behavioral triggers** include changes in usage patterns and payment patterns and can indicate a customers’ reconsideration of the relationship.

- **Customer-initiated triggers** include customer service calls, billing questions, online or in-store shopping activities that indicate overt review of the relationship. With customer-initiated triggers, the customer is engaged from the onset, and the business has a ready audience. Customer-initiated triggers can trigger a response rate several times greater than a traditional outbound strategy and represents a tremendous opportunity.

- **External triggers** are not initiated by the customer or the business. Changes in socioeconomic conditions and/or increased competition can impact customer relations.

Each of these types of events offer a potential source of “permission” to dialogue with the customer: to acknowledge the event and offer solutions that can provide benefit as a result.

**Breaking it down: real-life dialogue success stories**

**Award-winning success:** One dialogue convert became a Gold Winner of the Gartner & 1to1 Media 2010 CRM Excellence Awards as a result of their success in incorporating a dialogue-based approach into their existing CRM efforts. While Merrill Lynch isn’t a telecommunications, it is emblematic of the situation many telecoms are in—and the types of results they can achieve—through a shift to dialogue-based strategy.

Merrill Lynch had a CRM system in place. But by also developing connected conversations with each customer across interactions, they were able to further increase revenues by 35% (that’s millions of dollars weekly). At the same time, their client satisfaction improved by 55%. Agent productivity rose by 14%. And customer retention rose by 26%. All of this was a result of their change of strategy: they put the customers first and conversed with them simply campaigning for their business.

**Incredible growth:** Another dialogue convert shifted away from a push strategy, a campaign-based strategy, and a standard campaign management system. They added the inbound, customer-initiated dialogue capability and began generating outstanding results. As you can see from the chart below, the dialogue focus totally transformed their business sourcing: today more business is generated by inbound than outbound communications.

**Wide-reaching results:** 3Denmark, one of the four leading mobile operators in Denmark, adopted a dialogue-based strategy to develop and execute personalized, multi-channel campaigns, eliminate manual processes and enhance its marketing and customer service.

3Denmark reports a whole range of resulting improvements, including:

- Lower customer churn
- Increased customer satisfaction
- Reduced marketing costs
- Improved customer experience
- Increased marketing productivity
- Improved business reporting, ensuring quick and informed decision making
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