

Customer Retention

I could be dead for all they know.....



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Beyond Philosophy Services:

Beyond Philosophy is recognized as the worlds thought leaders in Customer Experience. We have written three international bestselling books on the subject. Formed in 2002, Beyond Philosophy works internationally with organizations such as IBM, FedEx and American Express to name a few, from our offices are in London, England and Atlanta, Georgia, USA.

We help improve our clients Customer Experience by harnessing our knowledge and experience of practical implementation around the globe. We have proven expertise in de-risking implementations, increase speed of project delivery and saving costs through our engagements. Our tools and techniques are renowned for their practical application and have been tried and tested in many sectors.

Our services are:

Strategic Guidance – We work with all levels of management in an organization and guide them on the decisions that need to be taken to improve their Customer Experience. We start by asking three key strategic questions:

-  What is the Customer Experience you are trying to deliver?
-  What emotions are you trying to evoke?
-  Is your Customer Experience deliberate?

Our consultants work with the organizations to answer these key questions and put in place actions that will improve the organizations revenues, retain customers and save costs.

Training – We have well developed training programs for organizations from senior leadership to front line people. We also have developed specific training for Customer Experience professionals, whom we train and certify on our tools and techniques. We believe in “experiential” training, getting the delegate to feel what their Customer Experience is really like. We use real-life case studies to demonstrate our key points.

Market Insight and research – We specialize in conducting Customer insight on the subconscious and emotional aspects of the Customer Experience. We have developed models, with London Business School, that can predict revenue benefit an organization can enjoy through improving their experience. We put in place measurement tools that can measure the total Customer Experience.

Conference speaking – We have a team of people who deliver high quality conference speeches around the globe on how to improve your Customer Experience.



Customer Retention: I could be dead for all they know.....

It never ceases to amaze me how organizations pour money into attracting new Customers, but comparatively spend little on retaining them. Everyone knows it costs far less to retain an existing customer than acquire a new one, some say it is 5 times more cost effective. Why then is there an obsession with acquiring new Customers and such scant regard given to existing customers? In this article we'll get to the root cause of this dichotomy.

To illustrate the issue let me share with you an example of a current experience. A bit of context first. Beyond Philosophy started life in London, England, but quickly received a high demand from the US and thus I quickly qualified for a frequent flyer Gold card from my preferred carrier, Virgin Atlantic.

As our US business expanded rapidly in 2005 we opened an office in Atlanta, Georgia. This caused a change in my flight patterns as Virgin did not offer a direct service.

I switched and now travel with British Airways to Atlanta. I considered staying with Virgin and using an inter-connecting flight but decided the additional time it would take was not worth it. I guess Virgin hadn't built enough loyalty with me to justify the additional travel time. As a result Virgin has lost one of their most highly profitable 'Upper Class' (Business Class) Customers.

But here is the strange thing. I expected something to happen, some type of contact, but so far nothing! No letter asking me why I am not flying Virgin any more, no automated email saying that they had noticed a change of flight patterns, no phone call from the Gold member's team, nothing. For all they know I could be dead!

If they looked at my statement it would show them I haven't flown anywhere, nothing at all in over a year. So why haven't they even bothered to find out why? Here the irony, I used to be a big Virgin fan, but as each month slips past in which I am ignored I lose faith in them. I now realize I am not as important as I thought I was. Here's the rub; if a gold card member is not important to them, who is?

Essentially by their lack of action they are saying "we don't care". Despite having all the data they can't be bothered to look at it. I am sure I am a statistic somewhere on gold card member behavior. Some marketing person has probably completed some wonderful presentations on this "flights are up or down on last year, blah blah blah...". But in the trenches, they don't do anything. The devil is always in the detail.

Virgin has been spending \$\$\$ running on marketing their Upper Class, however they have not looked at how they can retain their existing customers. How crazy is that!



In our engagements with organizations this is what we typical see. The root cause of Customer retentions is NOT systems, although they can be challenging, it is NOT marketing spend, although this is required, **it is** the culture of the organization, and the obsession with the “bright and shiny”, the new business. This is the organizations

Obsession, it dominates people lives, it dominates the KPI's and dominates, more importantly peoples' thoughts and actions. We see examples of this obsession behavior manifest itself everywhere. For example:

- Providing an 800 free phone number for new sales and premium numbers for Customer service
- Marketing spend being lavished on acquisition not retention
- KPI's being dominated by the new not the existing
- Resourcing call centers to enable sales lines to be answered quickly and Customer service lines answered slower.
- Targeting offers at “new Customer only” to the detriment of the existing Customer.
- Developing organizational cultures that rests the power with Sales or Marketing functions, treating Customer services as second class citizens
- Sales calls being answered in the UK, service calls being answered off shore.

Ask yourself, when did you have a party in your office for retaining a customer? People are rewarded for the new, the exciting, the existing are just taken for granted.

New Customers bring new possibilities, new hope... “This one will be the big one”, “this one will make us \$\$\$”! The existing Customers are boring and mundane. We know them. Existing Customers even have the audacity to complain to us! Boy are they hard work; let's turn our attentions to something more exciting!

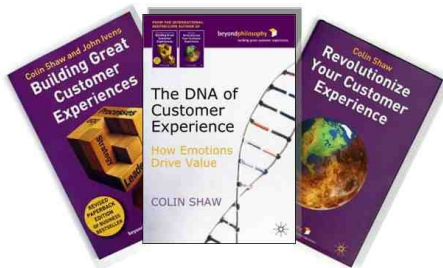
It's the difference between being single or married. When you are single you go to clubs and meet lots of exciting people and have fun. Then you get married. It's exciting at first and then it becomes “normal”. The peaks of excitement are not as frequent but the long term rewards are much greater. You are with someone you can trust, someone you can rely on, someone who will be with you until “death do us part”. Would it be good if you had profitable Customers who stayed with you that long? Imagine the growth, imagine the reduction in costs.

But as someone who has been married for 26 years can tell you, marriage takes commitment from both sides, it means compromise. You need to recognize that there will be good times and bad times. It takes work. But is worth it! People don't think in those timescales. Organizations don't think about life time value. But why not? Consider: how much has Virgin lost if I was to remain a gold card member for my life time?



Therefore the first and foremost issue you need to deal with when talking about Customer retention is to realize this is ingrained in the culture and no system or solution is going to deal with it. This is NOT an instance fix. This subject needs addressing with the senior team. They need to see the light and what the organization is doing today and the opportunity to be shown some hard numbers. A business case needs to be written. You need to have conversations about life time value, not just what it will bring in the next 6 weeks. Once you have peoples' attention then there are a number of actions to consider.

Beyond Philosophy has written three best-selling books on the subject of 'how to improve your Customer Experience', produced numerous articles which have appeared in the National Press, along with appearances on TV as expert commentators. We are well respected for our thoughts and theories on the Customer Experience. We provide a very sound theoretical approach to our work. Our programs are grounded in our three books, our own research and our links with academia. For example, our last book was based on research undertaken with London Business School.



About the Author

Colin Shaw is the Founder of Beyond Philosophy, a consultancy, training and Customer research organization. They are recognized as thought leaders in the Customer Experience and are located in London, England and Atlanta, Georgia USA. Colin is an International bestselling author and widely acclaimed public speaker. For further information on the Customer Experience, and to read Colin's blog and videos, please visit Beyond Philosophy at www.beyondphilosophy.com