

Preserving a Healthy Customer Base

**A guide to help your business
retain and renew customers**

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Introduction

Conventional wisdom has always held that keeping or renewing customers requires fewer resources than landing new business—assuming basic service needs are met. In most cases, that still holds true in terms of pure dollars, but the gap between the cost of new sales and the cost of retention is narrowing. At the same time, companies are finding it increasingly difficult to preserve the base of customers they have. Over time—a short time for some internet-based companies—the erosion of the customer base severely weakens a company, damaging its market credibility and threatening its ability to maintain operations.

By no means, however, do companies need to look at the erosion of the base as an immutable law. Certainly some variables will be out of their direct control, but many are not. By being aware of your customer base and implementing a few simple tools and rules, you can begin to stave off the erosion and build a strong customer foundation for your future.

In this white paper, we present eight simple rules for preserving a healthy customer base:

- Forecasting the Customer Base
- Avoiding the Free Agent Dilemma
- Organize for Retention
- Prioritize the Customer Base
- Don't be a Stranger
- Have a Customer Retention Strategy
- Develop Renewal Offerings and Programs
- Build the Retention Mindset

Forecast the Customer Base


The typical CRM tool or company database will track customer contracts and milestones and often will provide a tickler file to Sales and Customer Service to alert them to upcoming renewals. That provides useful information, but it usually doesn't mobilize the troops. Instead, you need to build a customer forecasting process that becomes as critical as your financial forecasting. The basic contract data needs to correlate with field information—from Sales, Customer Service, Finance and Operations—to provide a truer picture of the state of the customer. For example, are they about to file for bankruptcy, is an acquisition looming, or are they about to face lay-offs. The benefit of this approach is that it not only gives you visibility into contract dates and issues, it will show where intervention is needed to keep customers on-board, sometimes ahead of contract end dates. The outcome of the forecast update and review should be a set of actions designed to keep customers on board.

Avoid the Free Agent Dilemma

Use the forecast to establish a program for starting the renewal process 3-4 months ahead of a contract's expiration. Waiting until the last minute causes you to lose any advantages you may have had as the incumbent and virtually guarantees that the bid will be competitive. Also, customers feel that the wait indicates, "You don't care" or "don't want our business."


Organize for Retention

All too often the responsibility of renewing and retaining customers falls squarely and solely on the shoulders of the field sales representative. Executive focus comes only after the situation has hit critical. The problem here is that the sales rep is being pushed and pulled between new deals and existing customers, and the executive, who has the power to bring key resources into the loop, isn't




positioned to act. Ideally, there will be account managers, whose primary job is managing the installed base, teamed with customer care professionals who are likewise incented to keep a healthy base. An executive who owns the customer base (and leads the forecast reviews) and can provide reinforcements, muster his peers, and offer proactive support completes the teaming.

Prioritize the Customer Base



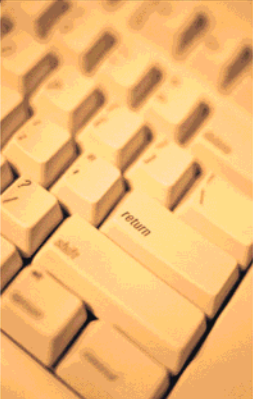
We want to keep all our customers, but the simple fact is that we can't treat all of them equally. Resources needed to retain a customer are busy retaining multiple customers as well as simply keeping the business going day-to-day. Clearly prioritize the customers by revenue and profitability (Note: Don't get hung up on the intangibles, they usually don't enhance decision making). Use this to deploy your retention resources properly. For true strategic accounts, you should be more willing to invest the top of the line resources, but for smaller accounts you may adopt a simplified approach. Furthermore, you should be actively looking to weed out unprofitable customers as part of the prioritization. In the end, this is addition via subtraction and will help the company. Nevertheless, most companies are afraid to break off certain customer relationships even if the relationship is a money loser.

Don't be a Stranger



When you're looking to build or retain business, you do not want to hear your customer say, "The only time I see you is when you want me to buy something." In practical terms, you can't be in constant contact with every customer all the time. However, the Customer Service and Sales reps need to have noticeable and regular contact and need to leverage tools such as service summaries, transaction follow-ups, etc. that afford quality contact, but little time investment. For significant accounts, regular service and account reviews should be the norm. The combination of proactive, productive attention to the account and quality service delivery often increases switching costs in the eyes of the customer, which is increasingly important in today's competitive environment.

Have a Customer Retention Strategy




At the highest level, you need goals and targets for retention %, customer base revenue, etc. But when it comes to preserving the business, the strategy needs to translate to lower levels—classes of customers or individual customers, depending on your business. For key customers, what issues need addressing and problems need solving to get the renewal done? For unprofitable customers, what needs to be done to make them profitable and where/when do we walk away? This strategy or plan is managed by the team leads and executives who build the right team to keep the customer.

Develop Renewal Offerings and Programs

Give customers an incentive to stay with you or a reward for being in a longer-term relationship. This can take the form of incentives for early renewal or clear benefits (e.g., higher level of customer support) for committing to a multi-year deal. These rewards don't have to be financial, but they do need to be tangible. In addition, use contracts positively—not as a bludgeon. Build in price review mechanisms that extend the relationship if you need to lower costs and look to make your relationship evergreen—with a remedy period and tail that precedes any cancellation.

Build the Retention Mindset



Retaining customers means looking to deepen the existing relationship so that switching is more difficult. For Operations, this means continuing to deliver and where it is cost effective, over-deliver. For Sales, this means looking to *develop* the account, which may imply forsaking short term gains for a longer term pay-off. For Customer Service, this means being proactive. Be up front in demonstrating the value that is being provided to your customers and actively seek the opportunities to solve problems for your customers—even if they are not asking for it. For Senior Management, understand your customer base. Know the relevant details of the customer forecast, and make yourself available for specific actions to retain customers.

More About Customer Centricity, Inc.

Customer Centricity, Inc., is a business consulting firm that works with companies to align their resources to exceed customer expectations in the most efficient and effective manner possible. We leverage our real-world experience to help our clients continuously improve their service delivery and management capabilities to:

- Increase profitability
- Improve customer satisfaction and retention
- Increase operational efficiencies
- Improve employee satisfaction

Customer Centricity optimizes the interaction between people, process and technology in several ways:

- Comprehensive assessment methodology to identify the actions that will yield our clients the greatest return
- Skills Training to enable customer-facing personnel to deliver exceptional levels of customer service
- Design and Implementation of business processes to serve the customer and manage corporate resources in efficient, effective and consistent manners
- Identification of the appropriate business processes to automate, enabling companies to get the most from their investments in technology

Customer Centricity's approach is to work closely with our clients to help them understand what they are doing right, and their opportunities for improvement. We provide pragmatic recommendations that provide immediate benefits, and we drive continuous improvement programs help our clients realize significant return on investment in a very short period of time (measured in weeks, not months or years).

To learn more about Customer Centricity, call 603/491-7948 or visit our web-site, www.customercentricity.biz