

An Opportunity in Chaos
Customer retention is the best use of a bad situation.
By Ian Jacobs

The architect, futurist, and philosopher R. Buckminster Fuller has been widely quoted as saying, "Don't fight forces, use them." Bucky was a smart guy; sometimes very strange, but usually very smart. And his admonition from the 1930s applies as much to CRM amid economic turmoil as it does to the architectural benefits of his beloved geodesic domes.

"Oh no," I can hear you moan. "Not another lecture about how there is opportunity in chaos." Well, sorry, but yes. This will be a period when almost every company attempts to (wait for it!) do more with less. Most will succeed only in failing at that goal. Theoretically, this presents great opportunities for companies willing to expand their technological investments to improve capabilities and attract new customers.

Here's the rub: Attempting to gain some competitive differentiation through increased spending means taking a very large risk. That's something most companies are simply not willing to do at this time. That would be fighting the forces and not using them.

So, keeping Fuller's words in mind, how do companies use the forces of a recessionary environment for CRM? One clear way: by turning inward and focusing on customer retention. If it is difficult to go out and acquire new customers, shift your attention—and spending—toward keeping the customers you already have.

This retention-first strategy obviously goes beyond technology, but technology can play a central role, and many vendors already have existing offerings designed for retention management.

One good example: churn-management tools for high customer-turnover environments such as telecommunications. Analytical tools predict which customers are at high risk for jumping ship to a competitor. The churn-management tools can create proactive retention-focused marketing campaigns and offers, or they can push retention-focused scripts to customer service representatives.

Using technology along the lines of churn-management tools requires companies to, y'know, actually buy the tools. But what of companies that cannot free up the capital for that sort of spend or cannot shift their spending around to include these types of tools? This is where retention efforts need to go beyond technology.

While there are exceptions, customer loyalty typically starts not with the brand name or the company, but rather with the employees that customers interact

with. So internal programs that focus on employee loyalty and employee morale during a tough economy—especially at companies where employees are seeing colleagues lose their jobs—can have a direct impact on customer retention. In fact, employee satisfaction should be part of any customer retention program.

Companies should also approach the problem of customer retention before they even start the process of customer acquisition. The easiest way to build a loyal customer base is to recruit customers most likely to be loyal in the first place.

One of the widely cited examples of this type of thinking: A major credit-card issuer went through its mountains of data and found that customers acquired through so-called affinity groups (associations for engineers, for example) were more likely to be loyal than were consumers targeted through generic marketing campaigns. So the credit-card company shifted around existing resources to increase the share of its marketing directed to those affinity groups. The cost of customer acquisition stays relatively flat, but customer retention still rises.

In the span of a recent week, I met two different people who worked for companies that pulled them off most of their projects while the corporate structure was being rethought. This economic crisis will give many companies the breathing room to reassign their smartest people to problems such as figuring out the best types of customers and then changing processes to refocus on acquiring those customers.

The lessons: Use the forces available, don't fight them; use the smart people who have less to do than before.

So, yup, I said it: There is opportunity in chaos.

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