

Even Defecting Customers Can Be Won Back

The notion of looking after your highest-value customers as a matter of priority has been highlighted for many years. Yet 93 per cent of businesses do nothing to keep their most valued customers. That is one of the surprising findings to emerge from the 400-plus company assessments carried out by QCi using its Customer Management Assessment Tool (CMAT).

"Most don't know who their customers are, they don't treat them differently, they don't realise when satisfaction falls, and they don't realise when their most valued customers walk out the door," says Reimer Thedens, chairman and CEO of OgilvyOne Worldwide, which now owns QCi.

The remarkable finding from CMAT scores across the globe is that only 7 per cent of companies have strategies in place for retaining high value customers. Only 37 per cent measure retention. That breaks what Thedens says is "the first rule of winning, which is not to lose."

Without the right metrics in place, it is difficult for companies to decide what action to take to improve their performance. A certain level of customer defection is inevitable, through customers moving out of the product category, changes in their circumstances, business closures or even death.

That means 100 per cent customer retention is impossible. What makes the difference is trying to retain or even winback lost customers. According to QCi, however, 46 per cent of companies have never tried to winback customers that have defected. Yet where CMAT revealed that winback programmes were in place, these had the best ROI for any customer management activity.

"Consumer behaviourists say it is now ok to leave – this is shown in the rise of divorce, lack of permanent employment and a general decline in respect. Consumers now feel it is ok to try something new and you can see that in every market," says Neil Woodcock, chairman of QCi. "So you have to earn their commitment or accept that loss."

Studies carried out by Frederick Reichheld have shown that 68 per cent of satisfied customers still defect. This is often the result of a lack of attention paid to them by the company or just apathy. Research by QCi into lost customers shows that the most valued customers leave if one or more of the following are absent:

- Better/quicker service for them compared to other customers
- Feeling they are being listened to
- High quality information
- Recognition
- Fast progress of their issues
- No errors in things important to them, such as statements or bills.

It is notable that many of those factors are core operational processes, rather than new customer management procedures. However, the introduction of CRM

initiatives can certainly pay dividends, especially if high-value customers reach a "moment of truth" in the service they receive.

Studies into customer defection have shown that although levels of satisfaction may be in feral, levels of purchasing often remain stable until satisfaction hits a critical point. That is when a customer will suddenly leave.

What the organisation needs to be capable of is spotting the exit behaviour that usually indicates declining satisfaction – an increased number of calls to customer service, raising complaints or checking contract terms, for example. This should be used to trigger recovery marketing campaigns. Yet 30 per cent of companies do not check customer satisfaction after a complaint and only 46 per cent predict which customers may be vulnerable.

"Exit behaviour takes time, and timing is key in business-to-business and high-ticket markets. You need to learn to predict defections," says Woodcock. One UK insurance company is now dynamically monitoring data on interactions in its call centre looking for sudden shifts in inbound calls. It has found that if a customer makes four contacts in three months, there is a 50 per cent increase in the chance of their defection.

By focusing on customer winback and the escalation of complaints to ensure a positive experience, companies can achieve significant benefits. "For every four customers you lose, you can realistically win one back through customer management. If you do keep one in four, the business impact is significant and you very quickly get to payback," says Woodcock.