

## Service Snapshot: Customer Retention

Reducing the haemorrhaging of profit caused by churn, by earning the loyalty of customers, can be an attractive way to grow market value.

### Challenge

Many organisations find themselves running fast, yet standing still, when it comes to retaining customers. Customers were always meant to be king, but now they are. Technology has given them real power. Information is readily available in 0.2 seconds thanks to Google.

Customers now expect to make their purchases through a variety of channels, at a time to suit them. They also expect to get what they want for a good price, and obtaining a comparison is increasingly simple through price comparison sites. They also expect a great purchasing experience every time.

Meeting these expectations is difficult and the testament to this is the high churn rate that many organisations face. Customer churn is frequently viewed by management as a burden that has to be borne. To overcome it they redouble their sales effort to drive up acquisition rates and, hopefully, balance out the profit.

It is generally thought, however, that it is more cost effective to retain customers than to acquire them.

To become a customer-centric organisation and break out of the cycle of high churn rates and frenetic sales activity in order to compensate for the lost revenue, requires organisations to adopt approaches that attract and retain the right customers.

Here we outline some of the challenges of customer retention and how to overcome them in order to increase market value.

### Solution

Unravelling the reasons why customers abandon one organisation in favour of another requires a holistic approach, encompassing both attitudinal and behavioural analysis, to enable a balanced and more profound understanding of what drives churn. Key elements of these analyses then need to be benchmarked with the competitor peer group.

#### Primary research

Relying on an annual satisfaction survey is rarely going to be enough to drive tactical responses to stem churn and provide robust strategic insights into the degree of customer loyalty. Organisations need a range of sounding boards that take their customers' pulse effectively, but unobtrusively.

An organisation needs to start listening at the point a customer joins the organisation and finish when they leave. As most people try to avoid confrontation and causing offence, it is vital that the listening programme is carried out by a professional firm, which is seen to be independent, otherwise the answers given could be guarded and bland.

Our programmes provide a mix of quantitative questions that are brought to life by verbatim answers from qualitative questions. They also identify key drivers of satisfaction, a competitive comparison and a guide to future behaviour.

#### Data analysis

Organisations hold a wealth of data about the account holder, such as

usage patterns and billing details. This information can be combined with other information from call monitoring and primary research to form a more comprehensive databank.

This, in turn, enables an analysis to be made which can identify relationships between customer characteristics, customer lifetime value and the propensity for churn and create a picture of what drives customer behaviour.

#### Cost effectiveness

Research shows that loyal customers return more, buy more, introduce new customers and are less expensive to service.

There are, however, significant barriers to overcome if organisations are to use customer loyalty strategies successfully. A study by IBM identified that some 75 per cent of business leaders prefer to focus on business efficiency, rather than trying to understand what customers want.

### Benefits

- A holistic approach which captures what people think as well as what they do
- Comprehensive assessment of the extent of churn and its causes
- Identifies what is done well and not so well and what action is needed to improve further
- Delivers analyses that "C" level managers understand and can act on
- Drives sustainable, continuous performance improvement

## strategy people performance

Penumbra is a strategic business consultancy. We bring clarity by using research to drive understanding and direction. We deliver success by balancing experience and innovative thinking.

Whatever your aspiration, we'll provide the tools, information and analysis to turn your strategy into operational reality, in a way that motivates your people to outperform the market.

### Overview

Our expertise lies in helping our clients to execute robust strategies and deliver results.

We achieve this by combining a robust management planning system with a focus on people which drives alignment and commitment

We work in partnership with talented and committed leadership teams to help organisations build corporate value with a wide range of customised, cross-functional advisory programmes and services delivered from four complementary service groups:

### Strategy

(Development, formulation, implementation and alignment)

Our innovative **Penumbra Balance** approach creates dynamism, drives and sustains momentum and makes strategy real for stakeholders

### Organisational Development

(Behavioural issues)

We call our holistic approach **Balanced Motivation** which encompasses activities that improve performance both for the organisation and the individual

### Research and Insight

Our stimulating **Clarity** approach draws on our business consulting skills to deliver a mix of business analysis and market research which provides compelling insights for winning decisions.

### Operations

The Operations group brings all of our hands-on practical experience to bear on execution and delivery of results.

Our technology enabling approach called **Totality** facilitates business focussed services and solutions, aligned to business needs, for people, processes and tools.

### Why Us?

Organisations turn to us when they:

- Want to find a new strategic direction
- Have created a strategy and now need to execute it
- Need to drive more value from existing initiatives
- Have a big issue to resolve, usually dependent on lasting employee buy-in
- Need to explore new ways to drive value
- Need a breakthrough result
- Are seeking measurable results

### Our Experience

We have real world experience spanning 20 years with our clients. This includes working with:

BP, Citibank, Morgan Chase, WestLB, RBS, UBS, Bankers Trust, Kleinwort Benson, Coutts, Natwest, Intel, Nokia, Adobe, Kall-Kwik, Glaxo Smith Kline, Dupont, Pfizer, Savills, British Council, Clifford Chance, British Airways, Gillette, Unilever, Shell, Volvo,

Vauxhall, British Gas, TradeStation, MWB Business Exchange, Investors in People, University of Cambridge

On projects such as:

Strategic Planning, Strategy development and implementation, Culture change, Post-Merger Integration, Vision, Purpose and Values, Current State Analysis, Organisation Re-design, Transformational Change, Client Focus Strategies, Perception Studies, Client and Staff Engagement surveys, Global Rebranding, Know your Customer, Market Forecasting, Consumer Insight, Market Segmentation, Process optimisation, Lean/Six Sigma, Project Management, ERP Systems Roll-out, Market Research, Financial Modelling, Franchise Start-up Evaluation models, Cost Benefit Analysis, Implementation Alignment, Strategic Alignment, Complex Database development, Custom Application development, Supply Chain Optimisation

Covering diverse sectors such as:

Financial Services, Pharmaceuticals, Manufacturing, Energy, Mobile Telecoms, Travel and Tourism, Aviation, Property, Hi-tech and Business Services