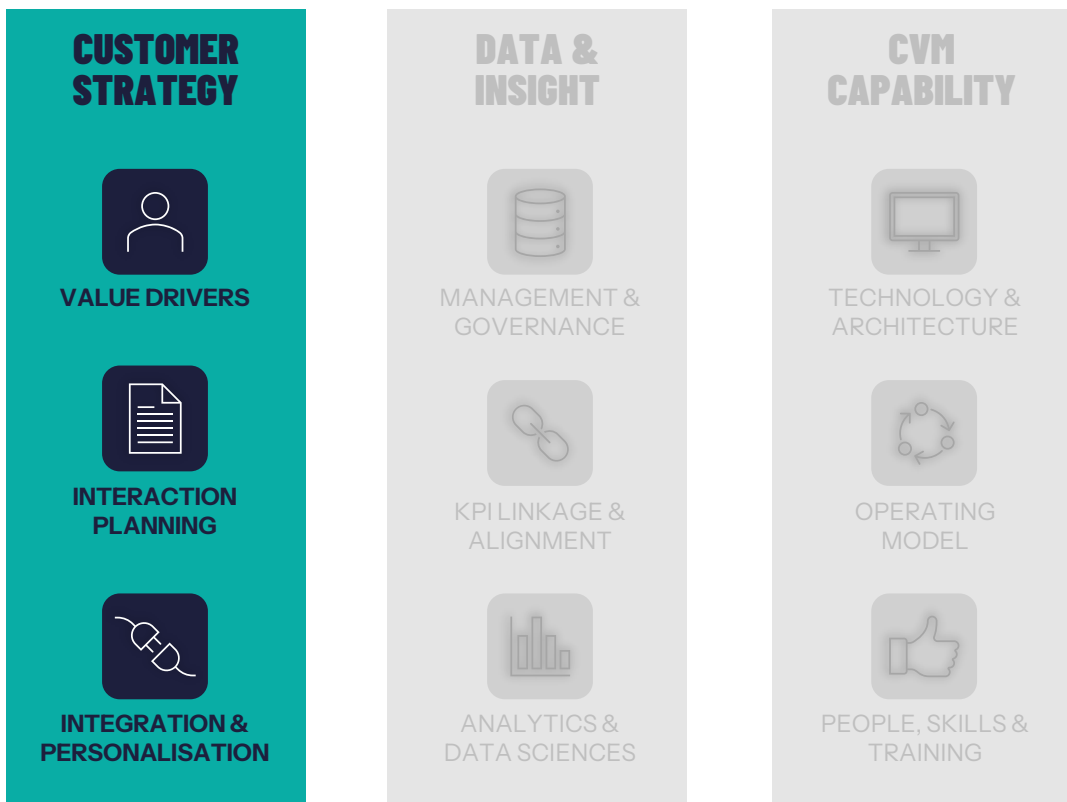# CVMPeople

# Customer Strategy 101

# CVM MATURITY MODEL

Our consultancy & resourcing services cover all areas of our Customer Value Management maturity model, known as the **9-Box Capability Model**.

In this paper we reveal some of the considerations and how we help brands in the first 3 areas and believe are fundamental to establishing effective **Customer Strategy**.

## 9-BOX CAPABILITY MODEL

### CUSTOMER STRATEGY

**VALUE DRIVERS**

**INTERACTION PLANNING**

**INTEGRATION & PERSONALISATION**

### DATA & INSIGHT

MANAGEMENT & GOVERNANCE

KPI LINKAGE & ALIGNMENT

ANALYTICS & DATA SCIENCES

### CVM CAPABILITY

TECHNOLOGY & ARCHITECTURE

OPERATING MODEL

PEOPLE, SKILLS & TRAINING
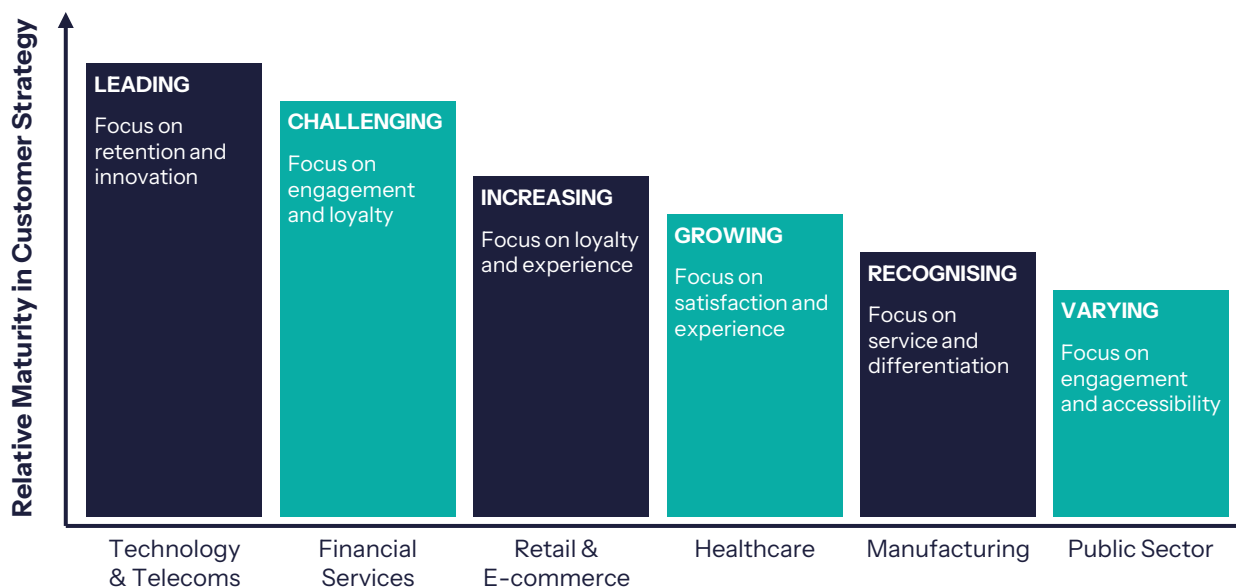
# CUSTOMER BASE STRATEGY

The digital revolution, explosion of data, and increasing impact of market disruptors on customer expectations, means a well-defined customer base strategy is more important than ever to maximise customer lifetime value.

For many established industries, the battle for market share is fought on execution, rather than highly differentiated product-level strategies. Well managed customer journeys can make all the difference in customer experience, leading to customer staying longer, buying more and positively promoting your brand.

In emerging growth sectors or within disruptor brands who are taking market share the in-life approach for managing customers is often a distant priority to expanding acquisition. In fact, customer base management can make growth more sustainable longer term as differentiation is eroded and competition increases.

It is true to say that sectors 'naturally' acquiring customer data - such as telcos, financial services, utilities and some parts of retail – have been at the forefront of monetising the value held in data. These brands often have 'installed' customer bases with predictable lifecycle stages, where the commercial levers of customer acquisition spend, cross-sell and retention are more easily measured and optimised.

However, as many markets mature, more sectors are increasing focus on collecting and monetising customer data. This is typically enabled by digital channels – where a previously anonymous customer now leaves data behind - and can be  communicated with on a personalised basis.

**Relative Maturity in Customer Strategy**

**LEADING**
Focus on retention and innovation
— Technology & Telecoms

**CHALLENGING**
Focus on engagement and loyalty
— Financial Services

**INCREASING**
Focus on loyalty and experience
— Retail & E-commerce

**GROWING**
Focus on satisfaction and experience
— Healthcare

**RECOGNISING**
Focus on service and differentiation
— Manufacturing

**VARYING**
Focus on engagement and accessibility
— Public Sector

# CUSTOMER VALUE DRIVERS

The choice of a customer base approach often depends on the overarching business strategy. A focus on market share, revenue growth, or profit optimisation will dictate distinct strategies to achieve each.

Key considerations are balancing immediate sales goals with strategic objectives for the future and leveraging data to assess opportunities and plan customer interactions

Identifying growth opportunities is about segmenting customers into groups based on their characteristics and behaviours, determining the relative value of the different customer segments, and then focusing on the customer segments and strategies with the greatest potential for growth.

A successful customer base strategy requires a careful balance of short-term and long-term objectives, analytical insights, and a focus on customer value drivers.

By understanding the unique needs of your business and your customers, you can develop a strategy that drives sustainable growth and profitability.

Common customer value levers include:

**New Customer Acquisition**
Attracting new customers to the brand.

**Existing Customer Growth**
Increasing the value of existing customers through upselling and cross-selling.
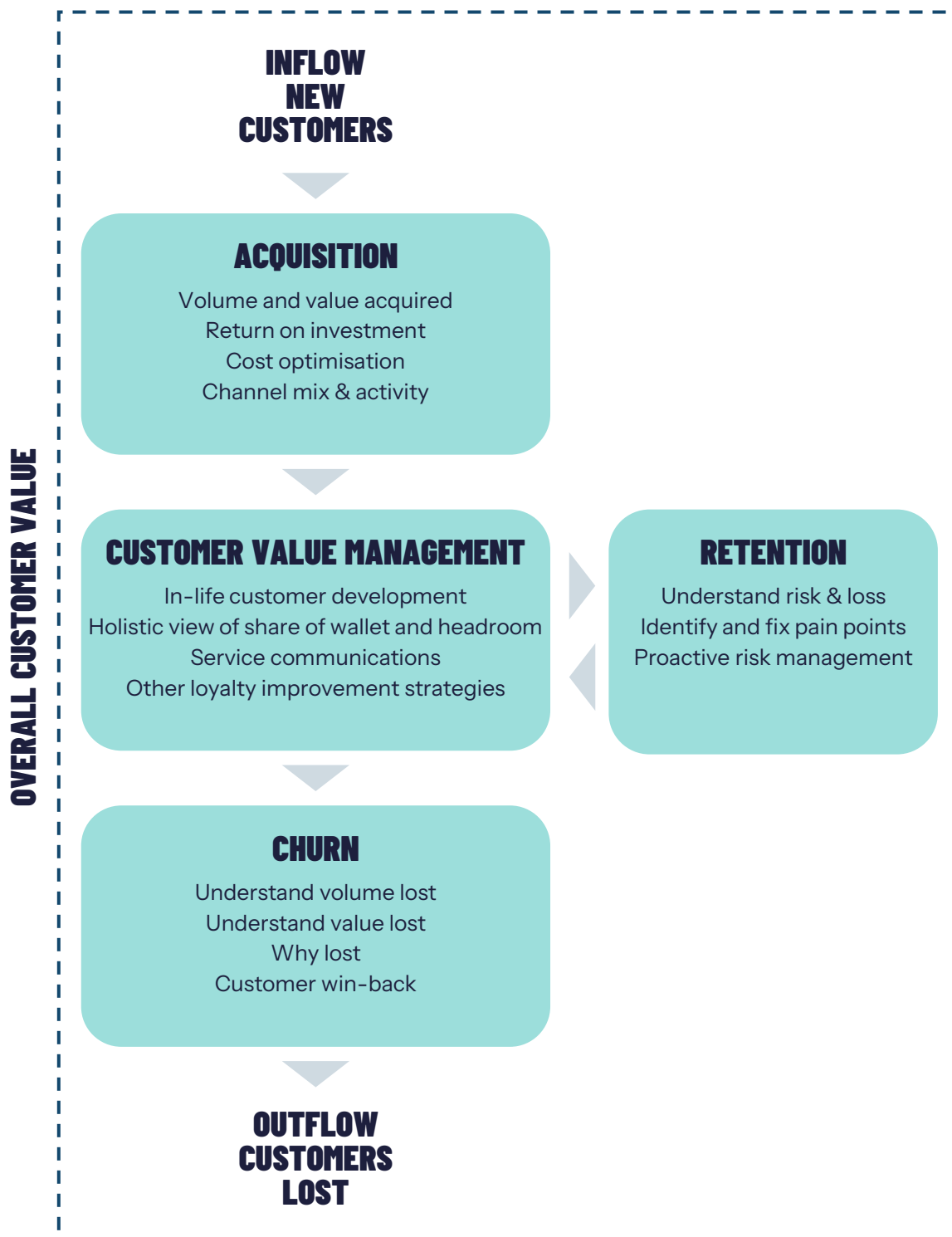
**Customer Retention**
Retaining existing customers and preventing churn.

**Customer Win-Back**
Re-engaging lost customers.

**OVERALL CUSTOMER VALUE**

**INFLOW
NEW
CUSTOMERS**

### ACQUISITION

Volume and value acquired
Return on investment
Cost optimisation
Channel mix & activity

### CUSTOMER VALUE MANAGEMENT

In-life customer development
Holistic view of share of wallet and headroom
Service communications
Other loyalty improvement strategies

### RETENTION

Understand risk & loss
Identify and fix pain points
Proactive risk management

### CHURN

Understand volume lost
Understand value lost
Why lost
Customer win-back

**OUTFLOW
CUSTOMERS
LOST**

# CUSTOMER INTERACTION PLANNING

Effective customer journey management requires a comprehensive approach that addresses various tactical objectives and activities. While traditionally viewed as separate stages, a more sophisticated approach considers the entire customer lifecycle and tailors the strategies to individual customer needs. By adopting a holistic approach to customer journey management, businesses can enhance customer satisfaction, loyalty, and lifetime value.

Key stages and considerations:

**Onboarding:** Create a seamless welcome experience by providing relevant information and addressing customer needs. Collect necessary data and permissions for future interactions.

**Engagement:** Foster ongoing engagement through personalised communications and value-added services. Encourage customer satisfaction, loyalty, and advocacy.

**Cost Deflection:** Optimise customer interactions by promoting self-service channels. Reduce costs associated with human-intensive service channels.

**Service:** Integrate service communications into the overall customer journey. Ensure timely and effective delivery of important messages, such as billing updates or satisfaction surveys.

**Cross-Selling and Up-Selling:** Introduce complementary products or services to enhance customer value. Encourage customers to upgrade to premium offerings.

**Retention and Renewal:** Retain existing customers and ensure timely renewals. Optimise pricing, communication, and service to address customer needs.

**Lead Management:** Nurture potential customers from initial interest to conversion. Utilise lead scoring and targeted communication to maximise conversion rates.

**Win-Back:** Re-engage lost customers by understanding their reasons for churn and offering tailored solutions.

Challenges and opportunities:

**Siloes:** Overcoming legacy infrastructure to enable a unified customer view.

**Data-Driven Insights:** Leveraging customer data to personalise communications and optimise the customer experience.

**Channel Optimisation:** Selecting the most appropriate channels for each stage of the customer journey.

# CHANNEL INTEGRATION

A sophisticated customer strategy requires seamless integration with channel execution. Leveraging advanced marketing automation platforms, customer-centric decision-making can be automated and delivered across various channels.

**Outbound Channels** include traditional push channels such as email, direct mail, outbound telesales, app push, private messaging and text messages. Considerations for using outbound channels:

- **Relative cost per use** – e.g. digital often being viewed as free whereas telesales & direct mail being most expensive.

- **Ability to track different types of success** – e.g., emails giving feedback on open and click through, whereas direct mail having little feedback other than 'gone aways'.

- **Level of control over the message** – e.g., telesales channels rely on the variability of human skills, whereas message control is easier in digital.

- **Alignment with the transaction journey** – e.g., a digital 'call to action' is more seamless when communicated via the digital channel, whereas digital is less useful when the transaction cannot be undertaken online.

**Inbound Channels** include all customer-initiated interactions through retail shops or branches, ecommerce sites, logged-in portals, website chat, service app, social messaging, and human service centre. Considerations for using inbound channels:

- **Initial cost** – e.g., creating the mechanisms to create, manage, execute and monitor content and messaging requires significant effort and time.

- **Relative cost per use** – e.g., any additional prompts or actions will increase handling time for human interactions and may frustrate customers.

- **Dependency on customer behaviour** – e.g., not all customers use channels enabled for inbound marketing, which limits reach.

- **Level of control over the message** – e.g., assisted service channels rely on the variability of human skills, whereas message control is easier in digital channels.

- **Ability to track different types of success** – e.g., tracking the customer journey and attributing conversions to specific channels can be difficult.

## Personalisation

One of the most loosely defined terms in marketing, personalisation broadly means aiming for 1:1 marketing – a strategy that identifies the right message, timing and channel for each customer.

Data is critical for enabling personalisation. It is used to determine, for example which creative content, layout, script, tone, offer, information, sequencing, frequency and call to action etc is likely to resonate best with a specific customer, either when they choose to contact you, or you plan to contact them.





## Do you really need real-time data and decisions?

If you don't need a Ferrari, don't buy one. This is similarly true when it comes to data, particularly in inbound channels, an automated marketing decision needs to be called upon in real-time as the customer visits the website or talks to staff.

However, real-time data and decisions are costly to build and maintain so, determine what's appropriate for your business to balance efficiency and effectiveness.

Avoid unnecessary complexity and focus on the data that will drive meaningful personalisation for your customers.

Does digital personalisation of a retailer's website need an up-to-date view of browsing history? Almost certainly. Does an insurer need any real time data when up-selling on an annual renewal call? Probably not.

**Focus on customer base management.** Sectors that historically dealt with anonymous customers are now enabled by digital channels to understand data, manage the base as a holistic asset, and communicate with customers in a personalised way.

**Exploitation of inbound channels.** Enabled by software, over the last decade more brands are personalising offer delivery in both digital and human channels (such as retail stores and customer service) where decisioning technology can be used to aid the front-line staff.

**Alignment and integration of digital and CRM teams.** Digital grew quickly – and often in its own team that had end to end ownership of sales, marketing and IT. The customer just viewed digital as a channel though – and customer strategies are now being delivered more consistently across all channels.

**Expansion of marketing automation into SMEs.** Pay as you go SaaS and mid-tier tools now mean businesses of all sizes can deploy customer strategies at scale.

**Targeting sophistication.** More data, better models, integration of data science into marketing automation software means the customer gets a better, more relevant experience, and more likely leading to the brand achieving its objectives.

**Always On Marketing.** Many brands who historically operated calendar-based campaign plans are switching to 'always-on' strategies, where a set of pre-planned communications are triggered based on a customer undertaking a certain action in a certain context.

**Ethical AI and data privacy.** Businesses are increasingly focused on using AI ethically and ensuring customer data privacy.

**Sustainability and social responsibility.** Customers are becoming more conscious of sustainability and social responsibility, and businesses are incorporating these values into their marketing strategies.

**Voice search and conversational commerce.** The rise of voice-enabled devices is changing how customers interact with brands, leading to new opportunities for conversational commerce.

# TRENDS AFFECTING CUSTOMER STRATEGY

**Hyper-personalised customer experiences.** Leveraging AI and machine learning, businesses can now analyse vast amounts of customer data to create highly personalised experiences tailored to individual needs, preferences, and behaviours.

**Seamless customer journeys.** Consistent and personalised interactions across all channels (e.g., Email, social media, website, mobile apps) ensure a seamless customer journey even during hand-offs between assisted and digital channels.

**AI-powered customer interactions.** Intelligent AI-powered chatbots and virtual assistants can handle routine enquiries, provide recommendations, and even assist with purchases, freeing up human agents for more complex tasks.

**AI-powered data sciences.** By analysing large quantities of customer behaviour data, businesses can better anticipate customer needs and proactively offer solutions that enhance satisfaction and loyalty.

**Caring about customer success.** Dedicated customer success teams are becoming increasingly common, ensuring that customers get the most value from their purchases and remain satisfied over time.

**Low-code/no-code platforms.** User-friendly platforms with drag-and-drop interfaces make it easier for businesses of all sizes to implement marketing automation strategies without extensive technical expertise.

**End-to-end integration.** Seamless integration between marketing automation and CRM systems enables a more holistic view of customer interactions and facilitates personalised campaigns through any channel.

**Advanced behavioural targeting.** By tracking individual customer behaviour and preferences, businesses can deliver highly relevant content and offers at the right time, whilst identifying similar high-value customers to help acquire the right new customers.

**Event-based marketing.** Leveraging real-time data, businesses can trigger personalised campaigns based on specific customer actions or events (e.g., abandoned carts, website visits, social media interactions).

**Personalised recommendations.** AI-powered recommendation engines can suggest products/services that align with individual customer preferences and interests.

# OUR RECOMMENDED APPROACH

### Discover

Using our own maturity model, we can assess opportunities in your customer strategy or focus on specific areas of challenge or opportunity that the client has already identified. Part of this is typical mapping the as-is–across customer value drivers, your customer interaction plan and channel delivery/personalisation.

### Recommend

Based on the value drivers, we can design strategy to capitalise on the identified opportunities. This can be at a high level, or a detailed solution level as required. This is 'use case' driven, aiming to deliver recommendations with tangible commercial benefits.

### Prioritise

Within recommendations there will always be a range of benefits and costs. We will help drive out the prioritisation of quick wins versus longer term capability. We can also help build benefits cases in more detail for investment sign off if required.

### Roadmap

The interlock with other areas of change within the organisation is critical. Particularly in the data management and marketing automation area, upstream change can impact plans. We can help you plan the delivery roadmap.

### Deliver

We can resource a bespoke team for you to move through delivery, including experience business change leads to drive the overall programme. Typical skillsets span all areas to deliver change – from data to marketing automation.

### Embed

Almost all business change requires a focus on 'people' and 'process' elements. At the very least change in data and insight capability from a technology or strategy point of view, requires new people after it has been 'delivered' to run the capability. As well as organisation & operating model design, we have an extensive resourcing capability that enables you to put permanent team changes in place.

Our aim is to grow our client's customer value. We help brands organise and use data to make decisions and automate technology to execute them.

There's a lot of pieces to that puzzle of course. Our 9-box capability model reflects the building blocks that make up effective management of your customer base.

The core principles of being customer and insight led have not changed, but there's been a rapid change in technology and the art of the possible.

This has huge implications for the capability needed in an organisation – from marketing right through to technology, data and people.

We're not just consultants; we've sat your side of the table working for some of the biggest brands across the world and faced the same challenges as you are today.

That's why we've designed a business around delivering & embedding real change that sticks, not just imparting theory.

It also means we are best placed to offer direct expertise and build teams of practitioners to help you realise your opportunity based on practical experience – and support for the whole journey if you need it.