

CUSTOMER STRATEGY

POCKETBOOK

***“It is, however, reasonable to have perfection in our eye;
that we may always advance towards it, though we
know it never can be reached.”***

Dr Samuel Johnson

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INTRODUCTION

This book is a high-level guide to strategically managing customers to improve profitably, particularly in data-oriented sectors such as Telco, TV and media, Financial services, Retail, and Asset management.

We've included the ideas, skills, capabilities, and ways to define and implement a customer strategy used by companies that successfully take care of their customers and develop longer-lasting relationships to help their business grow.

The content is aimed at those in charge of all or a part of managing customers such as in sales, marketing, customer services, account management, CRM, retentions, and overall base management.

It is not intended to be exhaustive but will outline the basics to better understand the levers and tools available that help create and maintain profitable customer relationships.

TERMINOLOGY

BUSINESS STRATEGY The overall approach a business will take to achieve its defined goals. E.g. Which markets, which propositions.

COMPETITIVE STRATEGY Configuring the business' unique assets, competencies and capabilities to deliver commercial value through propositions.

CUSTOMER STRATEGY Principles and parameters for managing customers to achieve a goal. E.g. a gold segment strategy.

CUSTOMER VALUE The economic and financial worth of a customer to the business, whether historic, current, future or potential value.

INSIGHT Information derived from analysis of data that has value in supporting decision-making in planning and activity execution.

MESSAGE A communication through one or more channels to a customer and containing information and, usually, a call-to-action. E.g. a 'buy now' link.

ORCHESTRATION Coordinating the overall customer journey, tracks, treatments and activities.

PRIORITISATION Determining the order of eligible actions based on relative business or customer importance and probability of objective.

SEGMENT A subset of the market or customer base defined according to one or more characteristics or behaviours.

STAKEHOLDERS People and entities that have a legitimate interest in a successful outcome of an initiative, process, or strategy.

TRACKS Implements a customer journey using decision rules and parameters based on the management strategy.

TREATMENT An overarching strategy for how to handle a customer in terms of, e.g., quality of experience, level of tolerances, etc

WHAT IS STRATEGY?

Strate-gy, *noun*.

Plan, scheme, or course of action designed to achieve a particular objective, esp. a long-term or overall aim.¹In essence, a forward-looking approach to managing the business in the stakeholder's interests.



Corporate Strategy

Managing the overall financial value of the business, setting a long-term vision and general objectives, and prioritising resources.



Competitive Strategy

Utilising the business' unique assets, competencies and capabilities to deliver commercial value from a market through its products and services.

1. Oxford English Dictionary, OED.com

CUSTOMER STRATEGY



Customer Strategy is a competitive strategy that aligns the business' customer teams, capabilities and base management activities with the overall corporate strategy to deliver commercial value. It is both market-focused and customer-focused with its own objectives to set direction and targets to measure success, and answer questions like:

- What are the market and customer needs?
- What propositions are required?
- What services will be required to support?
- How to offer it?
- How valuable is it today?
- How valuable could it be in the future?
- Which customers are most important?
- What are the risks to success?

The focus of a customer strategy depends on the overall strategy of the business.

An overall 'market share' strategy dictates a very different approach to a revenue growth focus or to profit optimisation. Similarly, in-year optimisation of sales dictates a different approach to a 5-year strategic objective.

WE ALREADY HAVE A CUSTOMER STRATEGY...DON'T WE?

Some businesses treat customers as entities that must be convinced to buy more or be serviced less to increase organisational profitability.

These businesses are more self-centred and often ignore the customer's real needs in preference for their own, short-term agenda, which may have a negative effect on the relationship.

Consequently, it's unsurprising that **66%** of consumers feel that most companies treat them as a number¹.



I have a product; to whom can I sell it to meet my objectives?

1. Salesforce, State of the Connected Customer report, 2023



**I have a customer; what's
the right thing to do for
them and us?**

A more customer-centred approach is matching the right propositions, services and experiences to the right customers to better achieve the business objectives.

This means better understanding their needs and creating relevant treatment strategies that encourage the right behaviours that ultimately increase profitability.

E.g., Which to prioritise? Which opportunity to present? Which to wow? Which to target? Which message, when?

ENCOURAGING THE RIGHT BEHAVIOURS DRIVES PROFITABILITY



Happy customers buy and use more.



Returners actively seek out your products and services.



Energisers stimulate loyalty in other customers and employees.



Active followers listen to you and help you reach others through sharing.



Early adopters try new propositions and help others to understand the benefits.



Loyal customers stay longer as you continue to meet or exceed their expectations.

↑ Revenue

↓ Cost

↑ Profit

MANAGING PROFITABILITY

Managing customers is managing their contribution to profit. Some customers make you money, some could make you more, but some are not making you money, and some never will.

A well-defined customer strategy helps you direct and control resources, decisions and activities to ensure what happens to each customer is commensurate with their likely profit potential.

For example, a digital media brand implemented a customer strategy encompassing all acquisition and base management activities, which increased their customer lifetime value by 12%¹.



1. CVM People observed client results

EXAMPLE HIGH-LEVEL CUSTOMER STRATEGY



Realign customer relationships with the least value and opportunity to grow through more efficient management and servicing, such as promoting self-serve and introducing fees to encourage its use.



Encourage low value customers with higher potential for revenue growth to spend more and use premier service, through messaging around usage stimulation and benefits of upgrading.



Reward the highest value customer relationships for their continued loyalty through personalised retention programmes and surprise and delight actions, such as exclusive event invitations.



Improve relationships with the least engaged or dissatisfied customers through remedial actions such as restating benefits and value or addressing concerns.

MANAGING CUSTOMER PROFITABILITY IS CHALLENGING

Some
customers...

are worth **more** in **sales**
need **less servicing**
need **more** assisted-channel **support**
have **different needs**
have **different interests** and **preferences**
have a **different risk** of **default**
have **different behaviour** and **usage**
have **different risk** of **churn**
have **different potential** for **growth**
have **more** disposable **income**
are **more likely** to be **promoters**
are **just different**, e.g. VIP

...so, they have very
different **costs**,
revenues and
opportunity.

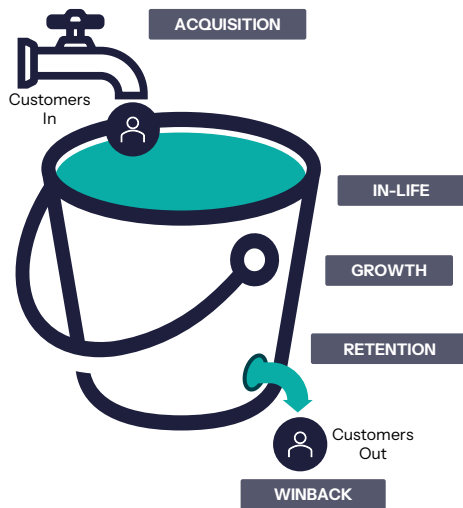
THE LEAKY BUCKET

Most businesses will broadly rely on the same levers to strive towards their objectives: new customer acquisition, in-life, growth, retention and win back.

The leaky bucket is a metaphor for a business striving to add customers to the base whilst minimising customers leaving.

Different approaches can size different opportunities, which in turn gives way to planning customer management activities that capitalise on priority areas.

A key point is where the 'headroom' is in the customer base for value growth – that is, which customers and which strategies are priorities?



ACQUISITION STRATEGIES

Lead management

An abandoned basket, registration of interest in a product, or browsing certain content on the website: all are potential indications of purchase intent that can be nurtured as a lead with the right content and activities to further engage and sell at the right moment.

E.g.

- Interest categories
- Buying indicators
- Lead scoring

Onboarding

Welcoming the customer and exchanging information to enable them to fully benefit from the features of the product or service.

E.g.

- Funding method
- Data collection
- Permissions

New

Once onboarded, customers may be excluded from general marketing activity for a period to observe behaviour and ensure the product or service is being utilised. The intention is to care about them getting value from what they have already and not come across as 'hard sell' from the start.

E.g.

- Did you know...
- Help videos
- Reminders to do X

IN-LIFE STRATEGIES

Engagement	Strategies designed to improve the customer's satisfaction and encourage advocacy. The intention is to reinforce the relationship with relevant value add content to inform, educate and reward.	E.g. <ul style="list-style-type: none">▪ Loyalty and introducer▪ Benefits to customers▪ Surprise and delight
Cost deflection	Typically focusing on embedding self-service channels to take away cost of human interaction for low (or no) value transactions. This can be information, guidance or encouragement to use self-serve and self-help features.	E.g. <ul style="list-style-type: none">▪ Switch to online billing▪ New bill explainer▪ Call routing
Service	Often ignored or run in a separate process to other customer activities, 'service actions' provide information and features to inform and support the relationship.	E.g. <ul style="list-style-type: none">▪ Price changes▪ Alerts▪ Satisfaction surveys

GROWTH STRATEGIES

Cross-sell

The more product categories a customer has the stronger the relationship is likely to be.

Cross-sell is designed to introduce a different category of product to the customer and encourage them to add it.

This is often one of the biggest and most easily measured value drivers.

E.g.

- Life insurance to home insurance customers
- Have you tried...

Up-sell

Another big driver of value is to encourage the customer to spend more, or more frequently.

Up-selling is designed to stimulate increased usage of their existing service or to increase the value or frequency of each purchase.

E.g.

- Up a subscription tier
- More frequent purchasing
- Increasing basket size

END OF LIFECYCLE STRATEGIES

Proactive Retention

Often the biggest value lever, retention can deliver higher revenue customers than acquisition, and at a lower cost when pricing is optimised against business priority.

Proactive means targeting at-risk customers before leaving.

E.g.

- Prior to insurance renewal
- End of contract
- High churn risk

Reactive Retention

Reactive retention is when the business negotiates to save the customer when they want to leave.

Pricing is often key, but must be optimised against business priority to save them, i.e. are they worth saving?

E.g.

- Disconnection requests
- Phone number transfers
- Balance transfers

Win-back

Re-engaging lost customers when you know they may be next in market. If customers are subject to minimum contract terms, the timing of strategies can coincide with the renewal or contract lapse of their new provider.

Knowing why an individual customer leaves, e.g., price, location, or service experience, informs relevant win-back.

E.g.

- Insurance renewal anniversary
- New service launch
- Special events

INBOUND CHANNEL CONSIDERATIONS

Inbound channels are when a customer visits a touchpoint to transact or interact with the business through, e.g., retail stores, app, website, service centre, chat.

- Every inbound touchpoint may be an opportunity to engage the customer, but should be controlled by treatment strategy to prevent message over-saturation
- There is a difference between real-time data and real-time decisions. One or both may not be necessary.
- Service channels should primarily focus on serving customers and answering their queries before introducing 'sales-over-service' messages.
- Human-assisted channels are subject to the variability of human skills, whereas digital channels can be controlled consistently.
- Digital channels can only use the stored data available at the point of interaction, whereas human channels can overlay 'live' context.
- Personalisation is more difficult to control on an individual customer basis.



OUTBOUND CHANNEL CONSIDERATIONS

Outbound channels are when the business chooses to contact a customer through, e.g., email, mail, telesales, app, social, and SMS.

- Every outbound channel may be an opportunity to contact the customer but should be controlled by the overall treatment strategy to prevent over-saturation of messages and contact fatigue.
- Digital is often viewed as free whereas telesales & direct mail being most expensive. Note that 'free' doesn't mean cost-effective.
- Emails give feedback on open and click-through, whereas direct mail has little feedback other than 'gone aways' and sales.
- Telesales is subject to the variability of human skills, whereas other channels can be controlled for consistency and compliance.
- Digital 'calls to action' are more seamless when communicated via the digital channel, whereas digital is less useful when the transaction cannot be undertaken online.
- Personalisation can be done at scale.



TRENDS IN CUSTOMER STRATEGY

Increased focus on customer management

Sectors that historically dealt with anonymous customers are now enabled by digital channels to understand and communicate with them in a personalised way

Exploitation of sales-through-service

More businesses are personalising offer delivery in both digital and human channels (such as retail stores and customer service) where technology prompts front-line staff.

Alignment of digital and traditional CRM

Digital grew quickly and often with end-to-end ownership of sales, marketing and IT, but the customer just viewed it as a channel. Customer strategies are now being delivered more consistently across all channels.

Technology available to all

The cost of sophisticated tools has significantly reduced meaning businesses of all sizes can deploy customer strategies at scale.

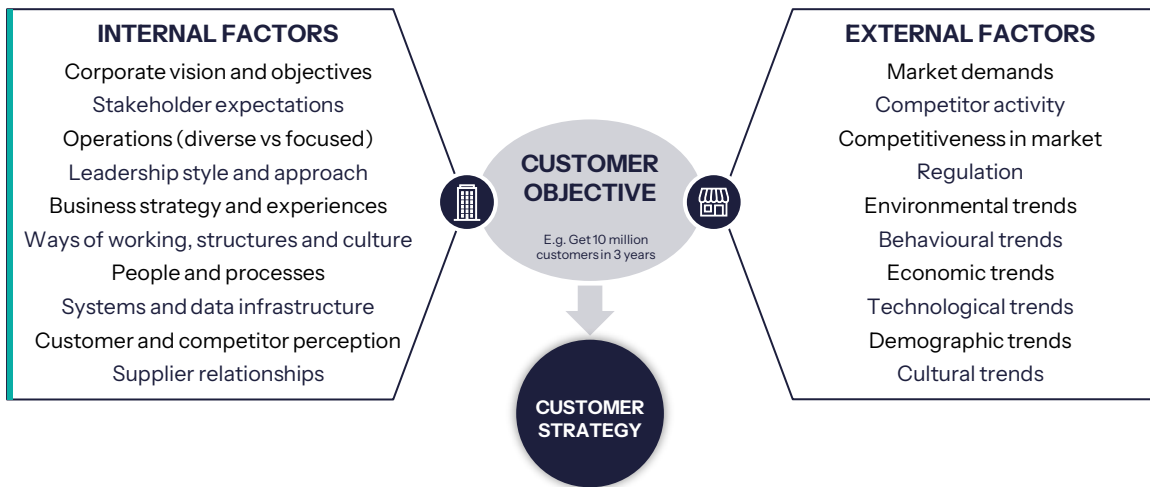
Targeting sophistication

More data, better predictions, integration of predictions into tools means customers get better, more relevant experiences which can lead to more success.

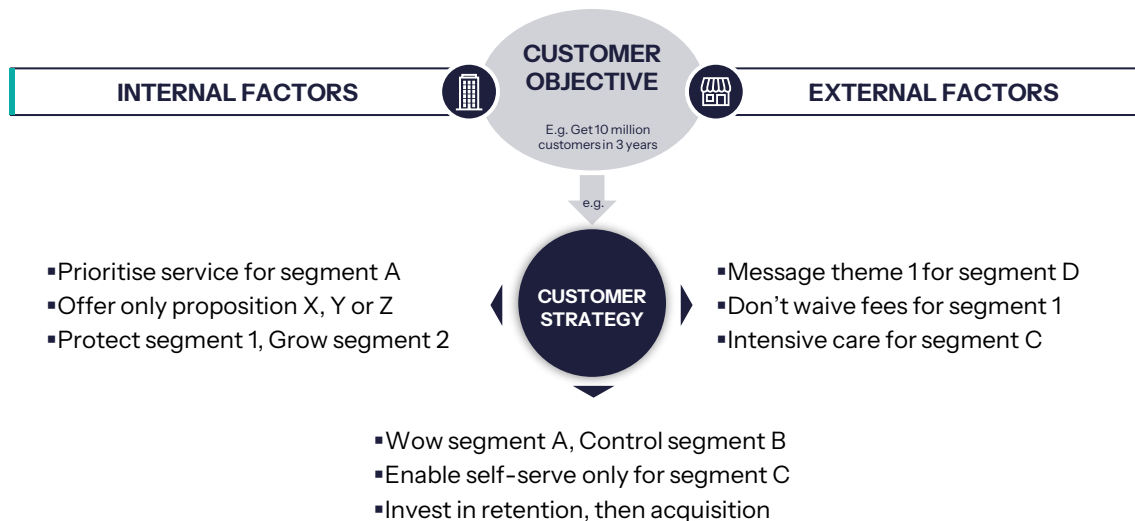
Always On Marketing

Many businesses that historically segmented batch campaigns have moved towards more 'always-on' strategies, where a set of pre-planned messages are triggered based on customer behaviour.

INFLUENCES ON CUSTOMER STRATEGY



INFLUENCES ON CUSTOMER STRATEGY



ELEMENTS OF A CUSTOMER STRATEGY

GOVERNANCE

Oversight and steering of the overall business relationship with its customers.

ACTIONS

Prioritised prompts, campaigns, servicing and sales actions to implement the segment strategy. E.g. Outreach, triggers.

TRACKS

Orchestrate and apply processes and decisions to implement segment strategy. E.g. Contact rules, recommendations and personalisation.

JOURNEYS

Experiential route-maps for navigating customers efficiently through the business. E.g. Onboarding & welcome, in-life development, renewals.

TREATMENT STRATEGIES

Principles and parameters for managing customers in each segment. E.g. priority, message themes, contact intensity.





CUSTOMER AUDIENCES

Markets and customers and their relative strategic importance.

CUSTOMER VALUE

Profit contribution to understand which customers are important in terms of revenue, potential, and opportunity.

CUSTOMER PROFILES

Key features of different audiences to understand needs, behaviours, opportunities and status.

SEGMENT OBJECTIVES

Measures and expectations for tracking success within each customer group. E.g. Retain 98%, reduce cost to £x.

STRATEGY SEGMENTS

High-level customer groups, each of which will have different objectives and treatments.

DEFINING CUSTOMER STRATEGY

1 UNDERSTAND OBJECTIVES

How could the customer base could be used to achieve corporate objectives. Commit to a customer strategy.

2 UNDERSTAND CUSTOMER VALUE

Deeply understand the revenue and potential of different customers to better identify profitable opportunity.

3 IDENTIFY PRIMARY CUSTOMER AUDIENCES

Evaluate the importance of customers and develop segmentation to inform and guide alignment of strategies.

4 CREATE CUSTOMER PROFILES

Create detailed and actionable summaries of each audiences to better understand characteristics and needs.

5 DEVELOP CUSTOMER TREATMENTS

Define objectives, expectations, principles, and parameters for managing each audience.

6 MAP THE CUSTOMER JOURNEY

Visually map end-to-end customer experience to better understand and engage at each stage and touchpoint.

7 ALIGN BUSINESS CAPABILITIES

Design value proposition, go-to-market strategies, enablers and operations to meet customer needs.

8 DEVELOP & EMBED IN BUSINESS AS USUAL

Create unique value propositions, experiences and capabilities. Apply governance to all customer initiatives.

9 DEFINE AND TRACK OBJECTIVES

Establish relevant and measurable goals to track success and guide customer strategy efforts.

10 CLOSE THE LOOP

Implement mechanisms to continuously monitor feedback and results of activities, then evolve the strategy.

STAKEHOLDERS // 1

Sales

Acquiring new customers and cross- and up-selling to existing customers. Identifying opportunities, understanding needs, and convincing customers to buy more using a variety of channels, such as face-to-face, telephone and email.

Sales Operations

Functional support to the sales teams with tools, e.g. CRM, information e.g. a sales pipeline dashboard, and admin tasks, e.g. training.

Marketing

Creating awareness and demand for the products or services being offered using a variety of channels to reach potential and existing customers, such as advertising, public relations, social media, email and snail-mail.

Marketing Operations

Providing data support of marketing activities, including campaign management, targeting, performance tracking and data management.

STAKEHOLDERS // 2

Customer Services

Interacting with customers to resolve their issues, provide support, and promote opportunities for value-add. Knowledgeable about the products or services being offered, the processes to fix or change things, and empathetic and patient.

Customer Operations

Functional support to the customer services teams with tools, e.g. CRM, information e.g. call status dashboard, and admin tasks, e.g. data entry, and training.

Customer Success

Ensuring customers get the most from the products or services being offered. Work with customers to identify their needs and goals, and then develop plans to help them achieve those goals.

Retentions

Extending the tenure of customer relationships by addressing pain-points, offering loyalty rewards, and negotiating discounts and other special incentives. These people need a mix of skills akin to customer services and sales.

STAKEHOLDERS // 3

Product Management

Developing and improving the products or services, working with customers and customer-facing teams to gather feedback and identify and prioritise new features and functionality.

Customer Strategy

Defining and optimising parameters for managing customer relationships. Defining key objectives, message themes, offers, business rules, customer journeys and contact planning.

Insight and Analysis

Collecting and analysing customer data to identify trends and patterns, uncover insights, diagnose performance, predict outcomes and inform business decisions.

Business Intelligence

Reporting on the operational performance of the business in terms of channel and process efficiency, including dashboards, visualisations and interpretation.

STAKEHOLDERS // 4

Research

Asking the right questions of consumers and customers to understand needs and expectations and inform product development, sales, marketing, customer service, and other business decisions.

Fulfilment Operations

Providing delivery and/or installation of products and services to customers on-site. Supported by supply chain, warehousing, logistics and implementation services.

Data Operations

Collecting, preparing, integrating and engineering data to support customer management capabilities and stakeholders.

Information Technology

Providing technical implementation and support of systems and data infrastructure to support customer management capabilities and stakeholders.

CHALLENGES WHEN DEFINING STRATEGY

Misunderstanding needs

Outdated assumptions or guesswork leads to suboptimal strategies, or negative results.

Aiming too high

Strategy definition can be complex, involving many stakeholders and rounds of adjustment whilst markets and corporate strategy change.

Aiming too low

Businesses often aim low to overcome resistance to change, but minor adjustments can lead to minor improvement.

Misaligned objectives

Different departments often have varying priorities, leading to disjointed efforts and inconsistent interactions with customers.

Moving targets

Customer needs and expectations evolve rapidly: it's hard to keep up.

Low readiness for transformation

The business may not have capabilities or appetite for significant or protracted change.

Needing overt differentiation

Businesses want to stand out from competitors so, tend to only focus on visible products or services.

Unaligned employees

Siloed structures, fiefdoms, and poor culture can all hinder effective customer-centric strategies.

Lack of measurement

It's hard to manage or improve something without knowing what's happening before, during or after.

Lack of data

Businesses can struggle actionable insight from data. Without a basic view of customers, pain points, preference and behaviour it is hard to design effective strategies.

Lack of tools

Critical to enabling strategy, but implementing effective tools is not easy, can be protracted, and disrupt business as usual during transition.

Changing business demands

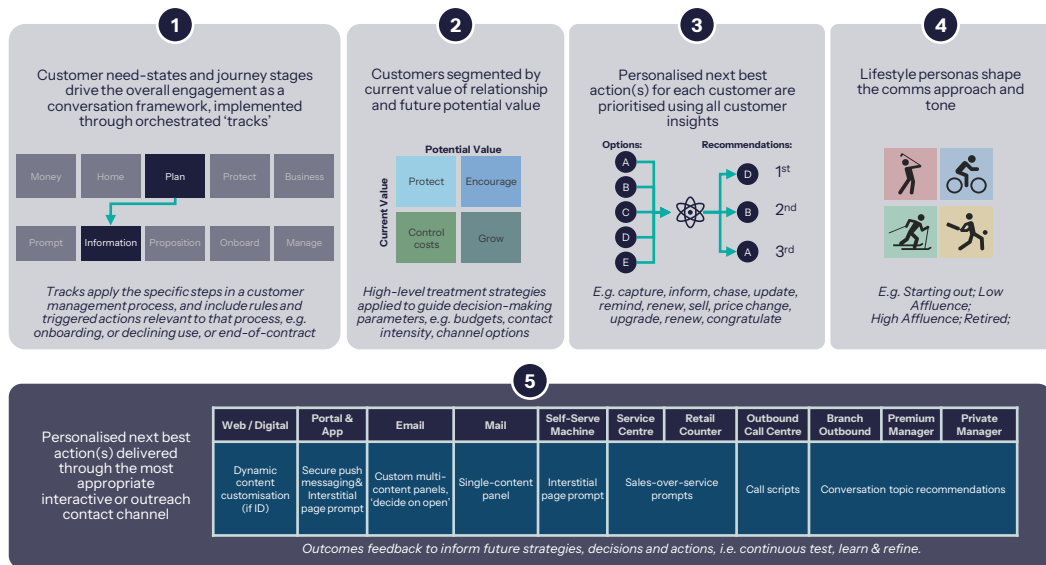
Longer-term investment in customer development can be superseded by immediate commercial demands.

GETTING READY FOR CUSTOMER STRATEGY

Defining a customer strategy ultimately involves aligning aspirations and the business model with customer needs, fostering innovation, and ensuring commitment to great customer experiences to drive both customer and financial value. Here are some pointers to help business readiness:

- Understand the core needs, expectations, preferences and pain-points of customers in the target market.
- Use insight and measure outcomes to inform and validate approach.
- Start simple and establish a high-level customer strategy first, then evolve.
- Prioritise definition of strategy for customers based on their relative importance to the business.
- Encourage cross-functional teams in strategy development and execution, ultimately breaking down silos.
- Embed a customer-centric approach across every function and into company culture.
- Transform your business model around fulfilling customer needs and expectations better than competitors.
- Ensure alignment between all customer-facing and back-office functions.
- Align objectives and priorities towards common customer goals.
- Introduce oversight and governance of all customer initiatives and operations.
- Prioritise resources by focusing on customer initiatives that are likely to produce significant positive impact.
- Balance short-term sales demands with longer-term goals such as customer loyalty and lifetime value.

EXAMPLE STRATEGY: PLANNING INTO ACTION



EXAMPLE: ACQUISITION TO RETENTION

ACQUISITION STRATEGY	NEW CUSTOMERS (1m-6m)	IN-LIFE CUSTOMERS (6m+)							
	Welcome Setup Benefits Usage What next Onboarding journey	ENGAGEMENT STATUS	PRO & AMBIVALENT				NEGATIVE		BAD
		CHURN RISK	<div><div>Low</div><div>Mid</div><div></div></div>				<div><div></div><div></div><div>High</div></div>		TRIGGERED
		CURRENT VALUE	<div>High</div>	<div>High</div>	<div>Low</div>	<div>Low</div>	<div>High</div>	<div>Low</div>	<div>Any</div>
		POTENTIAL VALUE	<div>High</div>	<div>Low</div>	<div>High</div>	<div>Low</div>	<div>Any</div>	<div>Any</div>	<div>Any</div>
		TREATMENT STRATEGY	Protect & Grow	Protect & Maintain	Engage & Nurture	Value Re-assurance	Intensive Care	Lower Cost Retention	Inbound Retentions
		ACTION STRATEGY	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting	Propositions Messages Tone Intensity Weighting
Heartland									
Underweight									
Grow through Retention									
Opportunistic									
Hybrid socio-demographic segmentation									

STRATEGY SEGMENTS

Strategy Segments are a tool for guiding the servicing and treatment of customers in a way that is commensurate with their value to the business today and their potential in the future.

Strategy Segments are used as a framework to better understand the relative importance of different customers, track performance, and determine what strategies should be applied to manage them.

Setting high-level principles and parameters for a segment means it can be easily used to prioritise and align any decision or action for a customer with the overall business objectives.



EVERY CUSTOMER IS DIFFERENT

Customers have different needs, expectations and ability to satisfy those needs. They should be treated and managed as an individual to maximise their potential value to the business.

But how to do this at scale and align with business strategy? For example:

- Which customers should be prioritised for assisted service, and which should be discouraged?
- How much should be reinvested in retaining high value customers and low value customers?
- What level of sales and margin trade-off for special offers and opportunities to customers with low potential?
- Should all low value customers be incentivised to self-serve, or just the ones with no growth potential?
- Which message theme should we use for customers with high growth potential: a loyalty or retention focus?
- Should high value customers always get premium delivery included, or just as a one-off?

CUSTOMER SEGMENTATION

Grouping customers based on shared characteristics such as status, behaviours, and financial information so that relevant strategies can be applied. Segments simplify the application of high-level strategies to customers.

Strategy Segments are a type of customer segmentation that categorises customers based on importance and relative value to the business so that it can better focus its efforts on the most valuable and important customers while managing the less profitable ones more efficiently.

The measures used for segmenting for strategy are the customer's relative value and potential to the business, such as revenues, costs, profitability, engagement and growth potential.

Value of the customer is typically split into two primary measures: current value and potential value¹.

1. See our *Insight Pocketbook* for more information about designing segmentation systems

CURRENT VALUE DEFINITION

The customer's value today based on sales and usage fees. This is ideally derived from the customer's contribution to profit over recent periods, including direct and indirect revenues, fees and charges, cost of sales, provision of product, and servicing.

The definition of value, however, depends on what the business can measure so, some start with a proxy and then evolve the definition as experience and capabilities improve¹. Where profitability is not yet available, businesses can use proxies such as:

Revenues from sales, booking fees, installation or setup fees, and usage fees.

Costs averaged according to scale of spend or usage, or as a percentage of revenues.

Current Value

1. See our Customer *Insight Pocketbook* for more information about defining value

POTENTIAL VALUE DEFINITION



Potential Value

The customer's **future value** based on expected usage, additional sales and/or opportunity.

Ideally derived from a forecast of the individual customer's ongoing contribution to profit adjusted for the time value of money, plus their likely sales potential, longevity of the relationship and influence on other customers or potential customers.

Definition depends on what can be measured: some start with a proxy and evolve as capabilities improve¹.

Example proxies include predicted customer tenure, churn and sales propensities, and average sales revenues.

1. See our *Insight Pocketbook* for more information about defining value

EXAMPLE STRATEGY SEGMENTS



EXAMPLE STRATEGY SEGMENTS

Segment	Features	Marketing & Sales	Service & Admin
Spenders & Switchers	High value Use credit High churn risk	Retention Offers Value add	Dedicated support team Next-Day delivery
Risky & Frisky	Low value High credit risk High churn risk	No offers Loans	Regular service response Can dispatch returned stock Minimum credit limit
Rising Stars	Mid value High potential Mid churn risk	Special offers Up-sell credit limits Reinforce benefits	Elevated service response Standard delivery
Simply the Best	High value Low to mid credit risk Low churn risk	Special event invites First-to-see offers	Dedicated support team Best service response Can't dispatch returned stock Next-Day delivery Maximum credit limit

BENEFITS OF STRATEGY SEGMENTS

- ✓ Prioritises planning, proposition and targeting teams by focusing resources on the right customers
- ✓ Enables acquisition, servicing, growth, retention and loyalty budgets to be allocated more effectively
- ✓ Aligns objectives across the business so that every customer decision, interaction, function, budget, and initiative is managed towards the common goal
- ✓ Creates an integrated framework that can be used for monitoring base performance, setting strategy, and implementing course corrections
- ✓ Enables automated processes to easily reference which relationship strategy to use with each customer
- ✓ Enables profiles to be produced to understand relative importance and features of each group
- ✓ Provides accessible summaries of different groups for internal communication and alignment of strategy
- ✓ Gives customer facing teams a simple pointer for how to treat customers during interactions

STRATEGY SEGMENTATION EXAMPLE

Case Study

Merchant services through web, a marketplace, account managers, and a contact centre, to 1,000's of customers.

Situation

Customers managed according to spend. Needs of high spenders were well understood and a more personal service provided. Lower spenders were unknown, targeted with generic sales messages, resulting in lost opportunities or mediocre success.

Objective

Actively manage the whole base as an asset to identify opportunities for new revenues, repeat business, increased engagement and reduced cost to serve.

Approach

Created an insight repository to profile interests, behaviours, and pain-points to focus service, sales and marketing engagement activity. Segments were formed around annual revenue, potential revenue and level of engagement to inform and prioritise growth, protection and control strategies, propositions and activities.

Outcome

New insights about customers enrich assisted channels, whilst segment strategies guide customer interactions and outreach programmes: which customers to grow, protect, or contain, and which to surprise and delight.

TREATMENT STRATEGIES

Customer treatment is the high-level strategy for how a customer should be dealt with in any decision, interaction or contact.

A treatment is defined for a group of customers the business wants to manage in the same way, e.g., how to treat a Strategy Segment.

It's a collection of qualitative principles for managing customer relationships towards the segment goals and include, e.g., quality of service, channels used for selling, and tolerances for administrative decisions.

Treatments are defined as rules and parameters that is used to steer individual decisions, interactions and contacts towards the defined segment objectives.

TREATMENT PRINCIPLES

When thinking about treatment, consider how you would want to differentiate your best from your least profitable customers. Sometimes, different treatments can be overt when, e.g., different service levels are built into the proposition, but they can also be used to provide more discretionary customer management, e.g. surprise and delight.



How would you want your best customers to be treated? E.g.

- Is servicing one-size-fits-all or should they be moved into the fast lane wherever possible?
- Should they receive the same offer as everyone else, or get first or exclusive access to special offers?
- Do they receive the same bulk emails as other customers, or do they get more human contact?
- Should marketing and sales contacts be more frequent or less frequent?



What about your least profitable customers? E.g.

- Should they be actively discouraged from assisted channel contact or encouraged to self-serve?
- Do they see premium offer opportunities, or just what needs to be cleared from stock?
- If they incur legitimate but unexpected fees, should they be waived as a gesture of goodwill?
- Should they only get brand new product, or could they be sent returned stock?

TREATMENT LEVERS

Treatments are defined through 'levers' that can be flexed, up or down, to better achieve each segment's objectives. The levers are set for each segment which informs how each customer in the segment will be treated when they either interact with the business, in decisions, or in outreach activities. Example levers could include:



Level of access to premium information



Priority for reactive and proactive service



Delivery and fulfilment speed



Level of incentive offered



Channel mix for proactive contact



Level of access to exclusive services



Level of human interaction



Pricing and/or discount threshold



Level of charges, or thresholds for 'free'



Intensity of marketing contact

DEFINING TREATMENTS: EXAMPLE FRAMEWORK

SEGMENT & PROFILE		← Which segment is this treatment aimed at, and what are the key characteristics of the customers in the group?
OBJECTIVES		← What is to be achieved by the treatment? E.g. Is it to protect and encourage loyalty, to grow, or to reduce cost?
TREATMENT PRINCIPLE		← What's the overall approach for managing this segment? E.g. Is it to be very accommodating, or to follow process and policy to the letter?
COMMS MIX		← What proportion of comms should be used for different messaging? E.g. awareness vs selling vs service vs retaining vs educating
THEMES & TONE		← What core messages should be used to communicate and how should it be conveyed? E.g. Is it about how valued they are, and formal or friendly?
CONTACT POLICY		← What comms channels are permissible and how often should they be used? E.g. Email twice per week, Inbound prompts for sales-over-service once per month
SERVICE LEVEL		← What quality of service to use? E.g. prioritise high value customers in call queue and named account manager, or qualify calls before reaching a human operator
TOLERANCES		← How should policy violations, discretionary restrictions, behaviour thresholds, and other admin actions be dealt with? E.g. when should account fees be waived?
ACTION THEMES		← What actions are central to achieving this segment's objectives? E.g. proactively offering health checks to identify needs and circumstance

EXAMPLE TREATMENTS

SEGMENT		BLUE WALLABY		% Total Sales		18%		High		INDEX		% of SEGMENT	
WHO ARE THEY?				£ Revenue / Month		£39		Mid		Demog1		Prod1	
				NPS		-12		Low		Demog2		Prod2	
				Retained / Month		98.3%		Mid		Demog3		Prod3	
				3 Year CLV		£731		Mid		Demog4		Prod4	
				Potential		34%		Mid		Demog5		Prod5	
										Demog6		Prod6	
										Demog7		Prod7	
CONTACT POLICY													
Outreach contacts				12 / annum				Call (Sales)				1 / annum	
Email contacts				1 / month				Prompts (Sales)				1 / month	
Mail packs				1 / quarter				Minimum time between contact				1 / week	
COMMS TREATMENT													
TYPE		ROLE		HOW		THEME / MESSAGE						CHANNEL	
Educate		Use More		Planned		Usage Stimulation: Make more of what you've got						Email	
Educate		Use More		Trigger		Encourage via usage behaviour: Catch Up / 'Do More with the box'						Email	
Up-sell		Add Feature		Planned		Migrate me with small changes (make services accessible e.g. try premium content for 1 month)						Email	
Reward		Involve		Planned		Join In Competitions > show result: drive Email data capture; Deliver 'exclusive access'						Email	
Reward		Recommend		Trigger		Positive service outcome: Introduce a Friend						Prompt	
Up-sell		Upgrade product		Trigger		New Job / Getting Computer / Kids content						Email	
X-Sell		Add product		Planned		Bundle migration						Call	
X-Sell		Add product		Planned		Mobile / Wifi Calling						Email	
X-Sell		Add product		Trigger		Seasonality (Use seasonal content to stimulate usage e.g. Xmas/Sporting events e.g. football season)						Mail	
</													

CUSTOMER TRACKS

Whilst customer journeys describe an experiential story, customer tracks translate that story ready for implementation through the customer management tools for sales, service and marketing.

Tracks are a methodology for orchestrating customer strategies and decisions within and across, programmes, campaigns, triggers, and channels.

A track can be used to apply the strategy to guide customer conversations, personalisation decisions and prioritising activities towards the business goals.

Tracks industrialise and structure existing data, analytics, business rules, messages and actions whilst providing control, governance and understanding.

Tracks can be used to orchestrate and implement defined business, segment and treatment strategies to determine the most appropriate action during each customer interaction, decision point, or outreach contact.

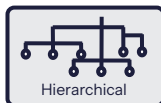
WHAT ARE CUSTOMER TRACKS?

Tracks use customer data and analytics within a structured collection of rules and parameters. They are applied through the business' existing systems, processes and communications.

Tracks can be defined to, e.g., trigger the actions and messages for a customer journey, e.g. delivery and follow up; Co-ordinate reactions to behavioural triggers; Prioritise a programme of planned campaigns; or Orchestrate the entire customer experience.



- Sequential process and/or time-based triggers, such as an onboarding customer journey
- E.g. If account opened +3 days, then do X

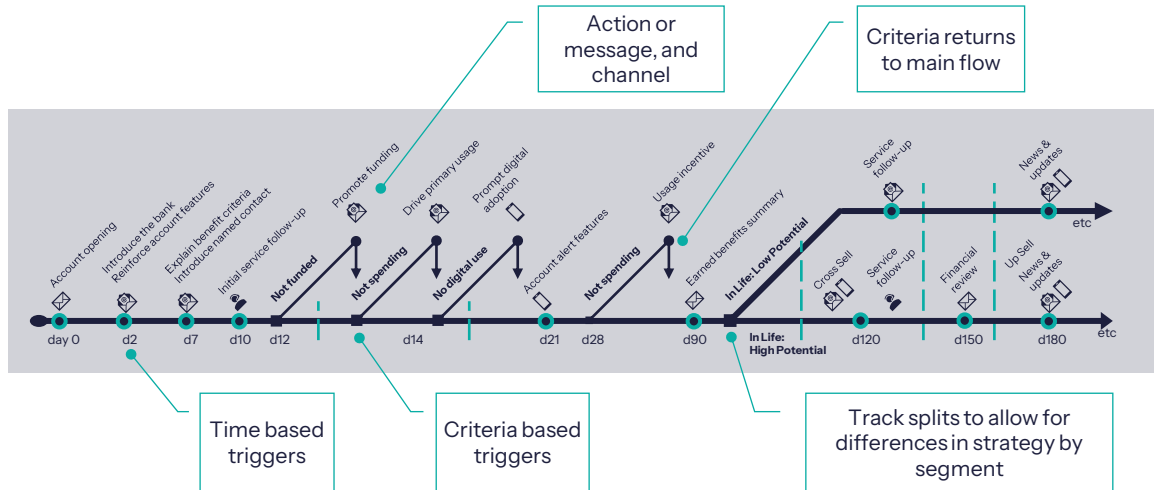


- Actions or messages decided by one or more criteria
- Applied in a hierarchy, such as a programme of outreach campaigns
- E.g. If account opened >90 days and in segment 1 and age > 35, then do Y else Z

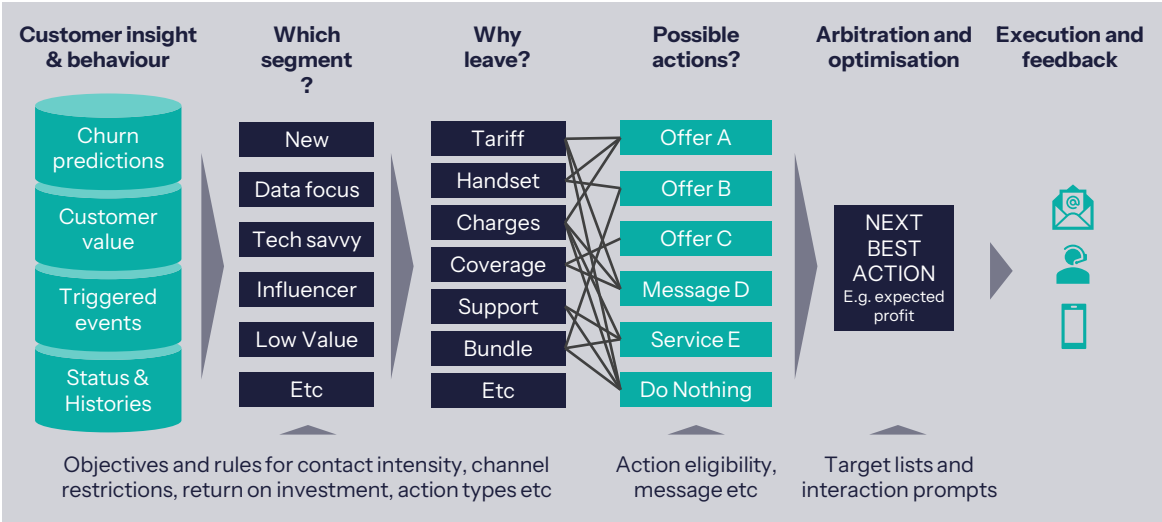


- Actions or messages decided by eligibility criteria
- Applied to range of options in parallel and then prioritised by value, e.g. next best actions
- E.g. If eligible for offers 1, 4 and 6, then do whichever of these that has highest value

EXAMPLE: ONBOARDING IN FINANCIAL SERVICES



EXAMPLE: RETENTION IN TELCO



DEFINING CUSTOMER TRACKS



Understand your objectives, strategy and existing criteria

How does the strategy achieve the objectives? What criteria is mandatory? Should this be challenged? Data availability?



Determine the scope of the track

Is the track for a single journey, or an entire programme of actions, triggers and planned outreach?



Design rules for including or excluding customers from the track

Should all customers be considered, or just those that are relevant to this process? How are these identified?



Design the structure of the track

Could customers be eligible for multiple actions? How to arbitrate which they get? E.g. 1st triggered, or ranked benefit?



Design the rules for filtering customers into groups for each action/message outcome

What data is needed? What are the parameters to use in the rules? Does it vary by segment?



Design the actions/messages

What creative content will be needed? Which actions or processes will be initiated for each group?



Attribute the actions/messages to the different action/message groups

Encode the tracks into automation processes through, e.g., next best action, contact orchestration, or selection tools



Review and test

Do you get expected result with test data? Any missed exceptions or conflicts with other tracks?

CUSTOMER GOVERNANCE

Customer governance is a mechanism to check that initiatives, changes, processes or activities have an acceptable level of impact on the customer, whether intentional or not, and comply with the defined objectives and customer strategy.

It also serves to ensure everyone in the company is on the same page and pointing in the same direction about any customer-facing initiative.

Customer governance ensures that activities are aligned with the company's overall goals and objectives for customer management, engagement, and experience.

It provides oversight of any initiatives that do, will, or could have undesirable, unintended, or unforeseen impact on other functions, customers, or profitability are understood and accepted by stakeholders.

GOVERNANCE: A FRAMEWORK FOR OVERSIGHT



Customer governance board provides executive, commercial, and policy oversight and approvals.

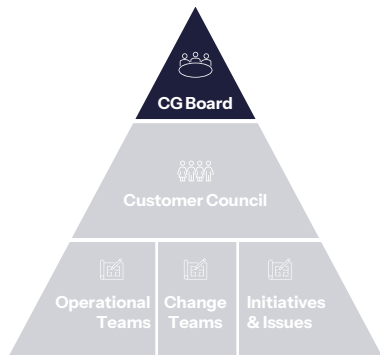
Customer council owns and leads initiatives and approvals within the senior board's authority.

Functional teams provide subject matter expertise to implement initiatives.

Approach

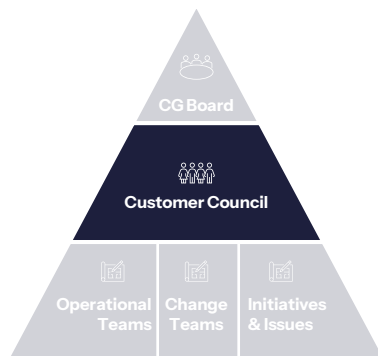
- Customer Council briefed on all activities, issues and initiatives by functional teams
- Briefings include the proposal and an assessment of impact to customers and the business
- Customer Council reviews proposals to approve, mitigate or block activities and prioritise, all within defined board authority
- Major projects and exceptions are elevated to CG Board
- CG Board reviews, steers and prioritises significant activities within overall strategy and policy.

EXAMPLE CUSTOMER BOARD ROLES AND RESPONSIBILITIES



- Meets (e.g.) MONTHLY to review progress, set direction and to sponsor and approve initiatives.
- It comprises permanent members of the executive board accountable for customer engagement, development, commercial growth, decision-making, planning and operations. It is chaired by the Chief Customer Officer.
- Status updates and initiatives are presented by representatives of the Customer Council (CC), or executive stakeholders.
- CG Board will prioritise customer initiatives and activities based on legal, regulatory, reputational, commercial and other considerations, which are then executed via the CC.

EXAMPLE CUSTOMER COUNCIL ROLES AND RESPONSIBILITIES



- Meets (e.g.) WEEKLY to review progress, implement direction and to propose and assess initiatives.
- It comprises permanent members appointed by CGB and are functional stakeholders representing all aspects of customer management, e.g. Operations, Sales, Service, Marketing, Commercial, Insight, Planning.
- Responsible for:
 - Implementing and monitoring established customer activities and policies
 - Providing high-level subject matter expertise
 - Leading initiatives
 - Proposing and validating customer strategies, policies, definitions, processes, systems etc
 - Facilitating knowledge through education, training and documentation
 - Driving issue resolution and enhancement

EXAMPLE SUPPORT ROLES AND RESPONSIBILITIES



- Provide on-demand input to the Customer Council to provide updates on issues and initiatives, and to implement priorities and actions.
- Comprises operational and project teams that directly manage customers (or enable it), e.g., Operations, Sales, Service, Marketing, Commercial, Insight, Planning, IT, Data, Fulfilment, Training.
- Responsible for:
 - Managing business-as-usual operations
 - Implementing changes to business-as-usual operations
 - Progressing initiatives according to defined priorities
 - Providing detailed subject matter expertise
 - Implementing strategies, policies, definitions, processes, systems etc
 - Conducting education, training and documentation
 - Investigating and resolving issues according to defined priorities

EXAMPLE GOVERNANCE AGENDA TOPICS

Assessing existing campaigns

E.g. Which should be repeated, tweaked or dropped?

Planning new sales campaigns

E.g. How do they fit with existing operational campaigns: cannibalise, complement or contribute?

Launching a new product or variant

E.g. What operational changes are needed? How will it roll out to existing customers and new?

Rolling-out a new CRM front end

E.g. What functional changes are needed? What's the impact to customer support and sales during change?

A website re-design

E.g. How will customer services deal with increased support calls? What's the comms programme?

A change in service terms

E.g. Will it prompt increased customer service load and detract from day-to-day support?

Changing market regulations

E.g. How will sales and service teams engage with customers about the changes?

Replacement of a customer database

E.g. What are the mitigations for identified data discrepancies? Does it improve customer experience?

A price increase

E.g. What are the mitigations for offsetting increased retention activity? How will the increase impact NPS?

Changes to data capture

E.g. What will the customer think about it? What's in it for them, and is it enough?

GOVERNANCE EXAMPLE IN CONSUMER DIGITAL SERVICES

Situation

Significant investment in digital platforms but contact operations at breaking point. Each year, the business initiated circa 500m contacts across 3k direct marketing and sales campaigns with minimal co-ordination. Customers often received multiple, sometimes conflicting messages, which lead to lower customer relevance, contribution revenues, NPS and loyalty.

Objective

Ready the business for more rapid growth by ensuring any customer impact, whether directly or indirectly, and positively or negatively, is aligned with overall business objectives.

Approach

Introduce a forum to monitor and approve strategies, policies, processes and initiatives that could impact customers and ensure alignment with objectives for NPS and retention. The forum meets periodically and comprises senior leadership from across the different business functions that are stakeholders in managing customers.

Outcome

Enables increased awareness, buy-in and participation in managing the customer as a single organisation. It improves business change readiness, ensuring customer impacts are positively managed and activities are co-ordinated.

BENEFITS OF GOVERNANCE

- ✓ Clarifies accountabilities for the overall customer programme, so everyone knows who owns the customer
- ✓ Simplifies responsibilities for activities and initiatives, so everyone is aware of who does what and when
- ✓ Steers commercial focus so everyone knows how business priorities affect initiatives and activities
- ✓ Enables steering based on holistic contribution to success, so everyone's aware of priorities and rationale
- ✓ Minimises creation of new 'legacy' strategies and processes, so fewer, low value distractions
- ✓ Improves operational efficiency and reduced effort for initiatives that don't add to the relationship
- ✓ Facilitates a nimbler approach to customer management by focusing on what matters
- ✓ Informs decision-making because everyone's aware of overall programme and priorities
- ✓ Lowers risk to customer base performance objectives

ACCELERATING YOUR CUSTOMER MANAGEMENT

CVM People fuse innovative thinking with proven expertise to help companies realise value from their data and customer management capabilities. Our unique transformation to operation approach means we can fluidly provide specialist consulting expertise through to executive recruitment services that accelerate customer growth ambitions.

TRANSFORMATION	Strategic direction	Consulting	Expertise-as-a-Service	Executive Recruitment	OPERATION
	Identifying and designing the right customer management and insight capabilities for growth.	Selecting and configuring customer management and insight capabilities to meet your needs.	Adding time-boxed expert resources quickly to your teams to boost your delivery and operational capacity.	Hiring the right talent to build your team, knowledge and expertise for ongoing customer growth.	

CVM People has worked with brands such as Virgin Media, Santander, Experian, Centrica, Travelopia, Vodafone, Camelot, The AA, LGU+, Centrica, Berry Bros & Rudd. We also partner with vendors such as Adobe, Salesforce, Dynamics, SAS, HubSpot, SugarCRM, HCL Unica, Bloomreach, Creatio, Knime.

To discuss how we can accelerate your ambitions, please contact Karl.Dixon@CVMPeople.com



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