RETURN-ON-RELATIONSHIP

BUILDING THE CASE FOR RETURN-ON-RELATIONSHIP

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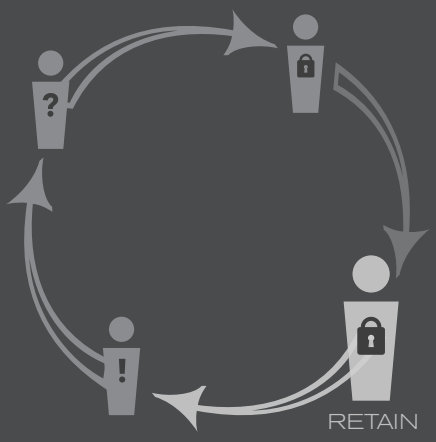
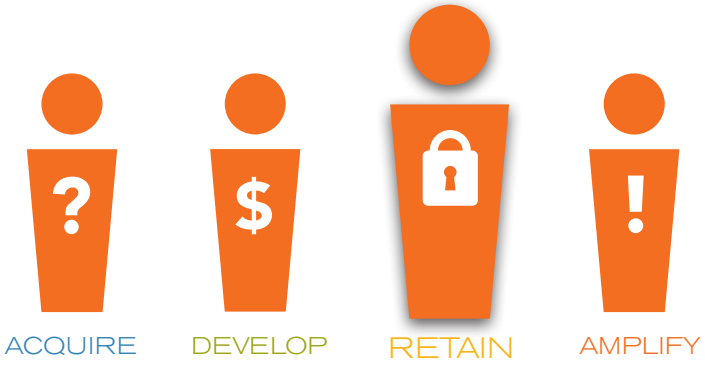


In the retain stage of our simplified customer lifecycle, marketing focus shifts to the relationship. Customers entering this third stage have transitioned through development, where the primary focus was on driving behaviors associated with maximizing revenue and profitability. Now it's time to evolve beyond a strictly transactional relationship and develop the emotional connection that yields brand preference and, ultimately, true loyalty as opposed to mercenary loyalty (paying for loyalty with pricing strategies and tactics like discounts). This requires measuring return-on-relationship (ROR) in addition to return-on-investment (ROI). The goal here is to create an optimized and balanced win/win relationship.



Customer Retention Behaviors

Behaviors in the retention stage differ significantly from those in the development stage. In the develop stage – which focuses on purchase continuity, onboarding and growth – there are more behaviors and a greater variety of behavior types. Notably, the behaviors tend to be quantifiable and measurable, often tied to a specific key performance indicator (KPI) and ROI goal.

In the retention stage, most of the behaviors are "soft," engagement-related behaviors. As a result, measurement becomes more subjective, focusing on things like customer satisfaction, brand preference and intent-to-refer. What's important here is quality over quantity. That being said, the crucial purchase-related behaviors established in the develop phase must continue to be reinforced and measured in the retain phase. As a result, positive or negative fluctuations in development behavior metrics are often attributable to specific retention marketing tactics. It is important to point out that driving retention stage behaviors is especially vital for brands with fewer purchase or service-related behaviors (e.g., lower frequency, higher ticket).

cultivation
recognition
extension

Retention behaviors fall under three categories:
Cultivation,
Recognition and
Extension.

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cultivation

Cultivation focuses on driving engagement-related behaviors that nurture, expand and deepen the customer relationship that was initiated in the first two stages of the lifecycle. Specific examples include:

- **Omni-channel brand engagement** — incorporating relevant content related to the product, service, company or industry
- **Cross-channel engagement** — expanding the relationship by interacting across all available channels (e.g., retail, online, mobile, social)
- **Communications engagement** — targeting a segment or responding to customer behavior
- **Formal and informal feedback solicitation** — empowering customer investment in your brand and promoting a one-to-one dialogue

recognition

Recognition centers on celebrating and rewarding customer milestone achievement. In many cases, customers are aware of the milestones through formal hierarchical program structures such as tiers or levels that drive increased engagement and target behaviors. Incorporating tiered rewards and incentives like VIP perks, enhanced customer service and exclusive content can be a powerful driver of preference and loyalty. But a "surprise and delight" approach can also be highly effective in deepening the relationship, as either the core strategy or as an overlay. Additionally, incorporating tiered rewards and incentives like VIP perks, enhanced customer service and exclusive content, can be a powerful driver of preference and loyalty.

extension

Extension concentrates on increasing the duration of customer relationships. Potential KPIs include retention rate, attrition rate, time-as-customer and lifetime value. In some cases, there is a formal process for extension tied to a specific behavior such as a contract or subscription renewal. In most cases, however, extending the relationship is an integral component of your ongoing lifecycle marketing program that incorporates a number of different behaviors. As a foundation, the key purchase-related behaviors that were established in the develop stage are reinforced and optimized in this stage. Optimization includes soliciting feedback regarding preferences and adjusting the relationship accordingly to give customers a sense of control and create that win/win balance.

The Power of Targeting For Retention

Targeting is central to optimizing the effectiveness and efficiency of loyalty marketing programs. It is especially essential for driving retention stage behaviors, developing customer relationships and nurturing the emotional side of loyalty. Targeted marketing can take many forms including audience smart or personalized content, communications, promotions, offers, program rule structures, rewards and tiers or levels. Targeted content can be delivered to different customer segments based on similar characteristics. It can also be delivered at the customer level, triggered by individual behaviors or behavior patterns.

Database marketing disciplines – profiling, segmentation, predictive modeling and program analytics – are the foundation for targeting. And, because data is at the core of database marketing, successful targeting depends on capturing customer data early in the lifecycle and building out your customer knowledge base as the lifecycle progresses. Relevant sources include: transactional and

behavioral data; program activity; profile information (e.g. demographics, psychographics, firmographics); and self-reported information regarding attitudes, perceptions and preferences. The following are best practices to follow when designing your program:

- **Create a balanced approach** (win/win) to building and enhancing your customer database by communicating the benefits of sharing information. This is increasingly imperative in the current environment around privacy and fraud.
- **Start simple and build out gradually**. The degree of targeting and personalization should be determined by the availability and quality of data. Poor quality data leads to faulty segmentation and inaccurate personalization, both of which can cause significant and often irreparable damage to customer relationships.
- **Be authentic and don't over-communicate.** Know the difference between personalized and intrusive when it comes to targeting. Use analytics to optimize the marketing stream and cadence. Capture communication preferences to give customers some degree of control.

The retain stage, with its focus on relationship development, is critical to customer lifecycle progression and optimization. Success in this stage creates that emotional connection essential to true loyalty and builds a strong foundation for affinity and advocacy.

To learn more about BIWORLDWIDE and how we can help engage your customers in every stage of a lifecyle program, visit: BIWORLDWIDE.com or email info@BIWORLDWIDE.com.