

12 Principles that Drive Profitable Customer Relationships

BY BRAD CLEVELAND

If you're still trying to sort out what customer relationship management really means, you're not alone. The term has been so hyped and so broadly interpreted that it remains a source of confusion. And once codified as a popular business movement, terms tend rise and fall with the trends of the day.

But it's important to remember that building profitable customer relationships will never go out of style. From the days of the corner store in centuries past, to the global enterprises of the future, the following 12 principles will remain the backbone of building a successful business. Each is both compelling on its own and intertwined with the others — there is no question, though, that customer relationship management as an integrated whole is greater than the sum of these parts.

1. Continuously Learn About Your Customers. This is the first principle of managing customer relationships because it is the most fundamental. From this everything else follows. When you know your customers, you can make sound business decisions about how to develop your relationships with them. Collect and analyze information about your customers to get to know them well. Maintain your knowledge in customer profiles that are available to all who need them. But don't stop there. Apply everything you know to building a customer valuation model. Knowing the value of customer relationships is essential for managing them wisely.

A dozen time-tested fundamentals that will help your organization achieve greater success.

2. Handle Different Customers Differently. This idea has been repeated so many times that it's practically taken for granted now. But the power of this principle lies in the potential for optimizing the value of each customer relationship through differential treatment. Based on customer segmentation, call centers can provide user-appropriate Web and interactive voice response (IVR) interfaces, routing routines, service levels and content. It is important, however, not to differentiate simply because technology exists that can do so. Segment customers sensibly. There are hidden costs to differentiation that must be weighed against the increased value that personalization can be expected to produce. Effective strategy ultimately seeks to optimize the value and "wallet share" of each customer segment.

3. Anticipate Customer Needs. Building strong customer relationships positively alters the selling process in many ways. Knowledge of your customers presents new opportunities for making the right offer to the right person at the right time. Analysis of customer profiles, especially using powerful analytics tools, can provide insight about who buys what from you when. Contact management systems can detect cross-sell and upsell opportunities and act upon them by presenting suggestions to agents during service calls, dynamically responding to customer input or automatically presenting customized offers in Web pages and

IVR systems. Even government and nonprofit organizations can use these principles to better fulfill their charters and anticipate the needs of their constituents.

4. Interact With Customers. Desirable relationships are not one-way. Relationships result from interaction. Knowing your customers is just the first step. Use that knowledge to deepen relationships with customers whenever you interact with them. No matter how sophisticated the technology that organizations and customers use to communicate, your customers are people and people appreciate being recognized, listened to and understood. Letting your customers know that you care enough about them to get to know them is an important part of managing the customer relationship.

5. Focus on Revenue and Retention. Unlike many other management initiatives, building strong customer relationships is not first and foremost about cost savings — although that will often be the end result. Instead, the emphasis is to increase the revenue received from current customers and heighten the retention rate of valuable customers. A renewed focus on customer relationships can require so many organizationwide process changes that operational cost savings may well be realized, but in other ways. Talk time on customer calls may increase as agents make the most of each opportunity — it takes time to service customers well, to listen to them, to collect

▶ 10 Key Customer Expectations

1. Be accessible
2. Treat me courteously
3. Be responsive to what I need and want
4. Do what I ask promptly
5. Provide well-trained and informed employees
6. Tell me what to expect
7. Meet your commitments and keep your promises
8. Do it right the first time
9. Follow up
10. Be socially responsible and ethical

information about them and to upsell and cross-sell to them. But these steps can pay off in multiples. The return on investment for building customer relationships should not be expected from short term operational cost savings.

6. Increase Value for Your Customers and the Organization. The bottom-line reason for building customer relationships is to increase value both for customers and the organization. There are many ways to deliver increased value, including being “easy to do business with,” creating efficiencies for your customers and making timely offers of products or services that perceptively address customer needs. Similarly, there are many ways to increase the value of your customer relationships, and the most fundamental of these appear in this list of key principles. When executed properly, building customer relationships is a “win-win” for all parties.

7. Present a Single Face Across Channels. One of the ways to create value for your customers is to simplify the ways that they deal with your organization. Take a holistic view of your customers and consolidate information from across the organization, regardless of geogra-

phy, department, function or product line. When you have a complete picture of each customer’s relationship, you can design customer interaction processes from the customer’s perspective, thus increasing value and letting customers know that you know them.

8. Enable Information Sharing and Interaction Across the Organization. Building customer relationships requires all parts of an organization, not just the call center. It is both a requirement and a benefit that organizations improve their internal communication processes. The only way to develop a comprehensive view of each customer’s relationship with the organization is with the full participation of every part of the organization. This requires strong support from top management and across the board. As the central point of contact with customers, the call center has a vested interest in driving the development of organizationwide interaction

processes.

9. Create Business Rules to Drive Decisions. Business rules codify and automate processes, specifying what should happen in specific situations, thus enabling both differentiated customer treatment and automation. Developing organizationwide business rules is a monumental task, and how well it is done directly affects your success in building customer relationships. Business rules define the ways that the strategy is executed.

10. Empower Employees with Information and Training. Capable desktop tools may be the most visible technological feature of customer relationship applications. Just as the cockpit of an airplane displays all the information a pilot needs to fly in any condition, the contact management screen should pull together cleanly and clearly all that the organization knows about its relationship with that customer. Furthermore, business rules should dynamically change that screen to support and guide the agent in optimizing the customer relationship. Empowerment is a key principle, however, because no set of business rules can or should fully anticipate every conceivable situation: Agents need training, information and support offered by business rules so that they can make good decisions that are consistent with the organization’s strategy.

11. Retain the Right Customers. One of the truisms associated with cus-

Definition of Call Center

A coordinated system of people, processes, technologies and strategies that provides access to organizational resources through appropriate channels of communication to enable interactions that create value for the customer and organization.

customer relationship management is that it is cheaper to retain a customer than to acquire a new one, but that idea can be taken a step further. In order to maximize value, organizations should focus on retaining valuable customers, not necessarily all customers. Be warned, however, that misapplication of this principle can be dangerous. Mistreating “low value” customers, even if you are losing money on them, is hard to justify in the court of public opinion (which is where your future high-value customers are sitting).

12. Remember That Cultivating Customer Relationships is a Way of Doing Business. These efforts go

beyond tools, techniques or programs. Building customer relationships is about the way you do business. It requires participation and hard work by people throughout the organization, and if done right, the work never ends. Results from these efforts should be fed back into the process to continuously refine business rules, marketing efforts and information systems. True optimization has no finish line — it’s an ongoing mission.

PROVEN PRINCIPLES FOR SUCCESS

You can trust these principles. They have staying power, even (and especially) in today’s fast-changing

economy; they were not a recent discovery and they are certainly not going to fade tomorrow. Build them into your strategy and operational plans, and you will be well-positioned for the changes ahead. ●



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