

What, Really, is Retention Marketing ?



the more you use it, the smarter you get.

While customer retention and its goals haven't changed, the entire customer retention business is busy reinventing itself from what it was just a few short years ago. Whether new technologies drove new thinking or vice versa it's hard to say. But one thing is for sure, what retention is –is really different.

New reporting and tracking methods reveal how customers interact with content, not just where they go and what they open. Smaller, but highly qualified audience segments based on customer intelligence are replacing broad, shallow pools derived solely from basic demographic information. And customers are no longer sitting back and waiting for the next brand experience - they're finally having some say in developing it.

What, Really, Is Retention Marketing?

Executive Summary

Rise and shine, Marketing Directors. It's a new day for Online Customer Retention thanks to significant advances in customer information and relationship technologies. Finally, the reality is catching up to the promise of mass individualization and its power to glue customers to brands.

E-marketing has become such a common element of today's communications plans that most marketers don't even bother with the "e" anymore. But the way it's deployed and measured is still woefully rudimentary given its unique powers for building and tracking customer relationships. The online world is the only platform that puts both parties, customer and company, on the same footing by giving them equal access to each other and equal say in shaping what happens next in the brand experience. Moreover, sophisticated online customer intelligence technologies can now deliver metrics that track customers' interactivity with content - a far more meaningful way to gauge, respond to and build on their brand loyalty.

As compelling as this all sounds, marketers are slow to remodel their online programs to take advantage of the new retention technologies and practices.

It's not hard to understand why. When e-marketing made its debut it was quickly categorized as electronic delivery of conventional direct marketing.

It was embraced as an efficient way to support an old idea. A few years from now marketers will realize they've been using a violin to prop open a window.

So who is leading the way in online retention? Who is playing it for all it's worth and creating stronger brand loyalty on a click-by-click basis? As with any significant advancement with technology at its core, the early adopters. Progressive marketers who realize that it's the relationship between customer and content that counts, not the connection between browser and url. By studying how customers interact with content, companies can create psychographic profiles based on what customers care about (or don't care about). Unlike demographics, which categorize by descriptive information such as age, income, gender and job title, psychographics reveal interests, tastes, opinions and personality traits. This means companies can create marketing programs that they know will pull well because the customers themselves have, in effect, told them what they want.

Here are the highlights of how new technologies are enabling the content-driven customer brand relationship and how that, in turn, is reinventing fundamental retention strategies.

~ New tracking and reporting technologies show how customers interact with content; their preferences, dislikes, opinions and other psychographic tendencies.

~ When combined, psychographic customer intelligence and demographic customer information allow marketers to create ever-narrowing target audiences with extremely high interest levels

~ New metrics go beyond open rates and click throughs and measure interactivity between customer and content. This reveals just how strong or weak the brand relationship is, who has high-value potential to the company and who is most likely to respond to long-term brand building efforts

~ New database management and data mining use customer intelligence to help marketers time messages and content according to where a customer is in the buying cycle.

~ New, template online approaches such as e-newsletters make it easy to deliver a continuous branding experience with built-in measurement and reporting

~ New technologies such as .Net from Microsoft Internet Group are eliminating barriers that until now prevented the efficient distribution of information on individual customers

That's a lot of use of the word new and, of course, proof of concept lies in the actual doing. Once marketers decide to drop old practices for new, success is a matter of thinking through initiatives from start to finish and creating the right roadmap.

Retention: The Art And Practice Of Creating And Maintaining Customer Loyalty

Why customers stay loyal is the same today as when Romans were buying togas way back in CDXXIV. Beyond liking the product, they had a relationship with the tailor. No doubt toga-makers followed up to make sure customers were happy with their choices, offered to make any alterations and contacted them the minute the new Spring Toga collections arrived.

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Customer Intelligence Technologies

The most significant difference is that now marketers can believe their eyes and ears. After years of listening to the promises of mass individualization, new customer intelligence technologies are finally delivering it. Now companies can use online monitoring tools to profile and segment a customer according to his or her personal preferences and individual behavioral patterns.

Here's how it works. Instead of traditional online tracking techniques that just follow customers to an online experience, you can see what happens as they make their way through it. Which content did customers read first? How long did they spend reading? What did they click to next? Did they bookmark pages? Which ones? Have they returned to reread them? Have they passed them on to someone else? Who? A brick and mortar parallel: Instead of just seeing which store customers walk into, you can find out what they picked up and put down, what they walked right by, what they brought their friends back to check out, and what they asked the staff.

Over several visits, a pattern of personal interests emerges. Once enough of these experiences are in a database, custom marketing to that person and the rest of the customers who share the same preferences is not only possible, but in the online environment, easily affordable.

Example: Pharmaton Natural Health Products® is the OTC division of Boehringer Ingelheim, a major pharmaceutical, chemical and animal health products company with operations in 160 countries. Founded in 1995, Pharmaton is a pioneer in the rapidly growing field of dietary supplements, and is committed to bringing highly tested, natural products to the U.S. marketplace. Pharmaton's expanding line of products includes two of the top-selling herbal dietary supplement brands in the United States: Ginsana®, a natural energizer that increases physical stamina, and Ginkoba®, which improves mental

sharpness. Pharmaton created an informative customer e-newsletter to be sent to a sizable mailing list captured from sweepstakes entries. It contained several perspectives on the medicinal uses of Ginsana® and Ginkoba®. The company assumed the majority of readers would be interested in mental clarity and fitness. But monitoring tools used to log which content the audience spent the most time with revealed that a core group of customers was far more interested in an article on the digestive powers of Probiata® - another product reviewed "below the fold" in the same e-newsletter issue.

Lesson learned from this example is prepared to be surprised. Suddenly the marketing department realized digestion, not mental clarity was occupying the minds of an important sub-audience of their newsletter. One they didn't even know existed. This intelligence led to a new, narrowcast audience bucket of subscribers interested in digestive health. Now they can be targeted with content and promotional offers developed to reflect their real-time mindset. Before all marketers could do was cast nets into certain pools. With better customer intelligence, they can actually make the holes in the net much smaller. Plus the nets end up costing a lot less in the first place. An opt-in e-newsletter generates reports that are turned into mailing lists. This saves thousands in third party list costs. Moreover, a list of recipients generated by content monitoring is far more qualified than one generated by demographics alone. This means marketers can focus loyalty efforts on audiences who definitely have a high level of interest in the brand. Equally important, those who opened the door but didn't step in, i.e., did not spend any time with the content, can drop to the bottom of the list or be de-listed altogether.

The New Relationship

Equally critical to the success of the new online retention technologies is how they're redefining the customer/company relationship. Notice you haven't seen the term CRM. It's not because its goals are no longer valid. But most conventional CRM programs really try to buy loyalty, not build it.

Here's an e-mail list, here's a promotion, go to it. Until now, the Internet has turned out to be a far more efficient and cost-effective way to achieve the same thing. It has made it easier to push promotions across the gaze of customers – certainly it's made it cheaper - but even when customers do take advantage of promotional offers, they're not being loyal to the brand. Just to the price. This does not a relationship make.

Let's go back to our toga story. The relationship that the buyer had with the tailor is the foundation for his or her loyalty - not the toga itself. By the same token, today's loyal consumer has a relationship with the brand that requires a certain level of attention and understanding above and beyond purchase and product use. Companies have to tangibly demonstrate that they appreciate a customer to the point where they're willing to earn his or her loyalty over and over again. When deployed appropriately, today's retention technologies create individualized attention on a massive scale.

Imagine a virtual memory shelf in a buyer's mind. Over time, that shelf fills up with brand impressions and information created by advertising, promotions, articles and other forms of marketing. Online retention programs are quickly becoming a branding tool preferred by customers and companies alike. By learning about the customer's preferences through subscription management and profiling techniques, by allowing him or her to share feedback and then responding with specific content and promotional offers that are based on customer intelligence, companies not only add to the impressions on that shelf, they upgrade the quality of each and every one. Customers get better, more

meaningful, more responsive communications from the company on a continuous basis. What's more, the new online retention technologies are turning the brand relationship into a two way street. "Customer loyalty" has traditionally been viewed as the customer being loyal to the brand. Now with customer intelligence technologies, brands can demonstrate their loyalty to the customer. This is the superglue of long-term customer/company relationships and retention. Example: A woman buys a new, European touring sedan. During the sales process, the dealership collects her e-mail address. A few days later, she receives an e-mail asking if she'd like to opt-in for the manufacturer's monthly newsletter. As she reads each one, the intelligence technologies learn she logs so many miles a week commuting and that she spends a lot of time studying content about how to maintain the interior and exterior of her car. They also learn that she sent her sister a third party article re-purposed from a national ski magazine ranking performance sedans on their ability to handle tricky wintertime driving. As the intelligence is gathered, it's tagged and cataloged in the database according to her interests and preferences. In response, the company can send her information on how to minimize the wear and tear of commuting on her new automobile, promotions featuring aftermarket products such as floor mats that help keep the car looking new, and content on safe driving in winter weather as well as co-op offers with nearby ski resorts.

In addition, the company can e-mail the sister, asking if she wants to opt-in to the newsletter and start building a new relationship with her. Most importantly, the manufacturer can begin to pave the way for making sure our driver buys her next car from them, too. The ongoing "e"relationship and the brand experiences it's adding to her virtual memory shelf will go a long way towards keeping her from straying to another make of automobile.

Meaningful, actionable metrics

Jupiter Media Matrix predicts marketers will spend upwards of \$19 billion on direct e-marketing by 2006. But how many programs will be successful? How

many companies even put the metrics to test success in place? A recent article by David Hallerman on *emarketer.com* cites a Direct Marketing Association (DMA) study that showed only 34% of marketers measure effectiveness of interactive media efforts. The article goes on to say that 51.8% of US marketers do not generate performance reports on e-mail campaigns. Those who are measuring are using old-fashioned yardsticks such as click throughs and open rates that do not provide accurate, much less actionable, knowledge.

The new retention technologies not only deliver actionable customer intelligence, they force marketers to look at new metrics of success in the context of what's really driving brand loyalty online: customer relationships with content. Instead of superficial clicking information, marketers can determine how much time a customer spends on certain pages, which articles interest them the most and then begin to create a deeper profile from a mix of psychographic and demographic information. The true measure of success is the accuracy of that profile. The better it is, the more qualified the customer and the more responsive the company can be with ongoing online brand experiences. There is another way to qualify success, one that's even easier to connect to the bottom line. How much do companies pay now for highly qualified customers? Think of the tens of thousands of dollars that can be saved by using online retention tools to self-generate lists of highly segmented customers.

Content, Content, Content

The online marketing guru Seth Godin has a mantra. Online content must religiously adhere to 3 criteria: it must be expected, valuable and relevant.

Expected in that customers should not be surprised (read: annoyed) by receiving content they haven't asked for. Valuable speaks to the quality of the content itself. It must contain real information, not just a sell-job transparently presented as information. In other words, it should put customer interests at the center of its development, not the company forecast. Relevant means that it is sliced and

served according to customer intelligence and timed according to where customers are in the buying cycle.

Here's how today's progressive marketers are actually practicing Godin's rules of content. Opt-in technologies ensure that customers do indeed expect a company's subject line in the morning e-mail. To make sure the content customers receive contains enough meaningful information; it should be re-balanced to be 80% informational and 20% promotional. And finally, more and more companies are relying on template approaches such as e-newsletters that are easy-as-typing to use and update. Once a micro-segment has been identified and its subscribers' main interests are determined, appropriate articles and promotions can be flowed in from proprietary and 3rd party content libraries and databases.

The Backend: No Longer A Dead End

New online technologies are not new. Many have come out in recent years, but an obstacle to adoption has always been backend and cross integration with databases and existing online marketing engines. Again, today's more advanced technologies are solving the problem thanks to standardization platforms that allow companies to make the most of their new customer intelligence. Leading the way is Microsoft and its .Net initiative in which software is hosted entirely on the Web, instead of on individual computers. The corporate and personal information inside enormous, proprietary databases will be free to flow back and forth between internal and external users. This means marketers can stop worrying about integrating new retention technologies and approaches into legacy systems since web-based applications will, in essence, take the interface issues out of play. Not only will proprietary profiling become increasingly easier to implement, merging and purging with other databases will help build even more fertile segmentation.

Imagine an automobile dealer who has a sales database, a service database and his own online retention tools regularly gathering customer intelligence. Each repository holds certain types of customer information.

Now they can be merged to create an actionable customer history. An offer promoting the dealer's new service program for owners who intend to hang onto their cars for a long time is sent to those customers who have been religious about service, who have repeatedly studied maintenance content and who have passed the magic 100,000 mile trade-in moment.

When everything comes together the right customers get the right content at the right moment in their buying decision cycle.

5 Steps Along The Online Road to Retention

By following these 5 steps companies can begin to re-engineer their retention approach and start realizing the promise of the new technologies:

1. Determine audience segments. Start with broad categories such as customer, prospect, influencer, and channel/reseller. Layer in additional qualifiers as you go. A rule of thumb is the more "adjectives", the more precise the segmenting will be.

2. Build a clean database made up of e-mail addresses with information about each subscriber that identifies his or her segment. Existing database entries can be complemented by list-building opt-in strategies like marketplace prospecting and web site registration (in exchange for valuable downloadable content), subscription offerings, warranty/customer servicing, etc. Once the database is built, it has to be scrubbed inside and out on an almost daily basis. Customer mindset evolves as lives change and preferences change with them.

3. Develop audience profile fields - at the outset, perhaps 5 - 10 specific interests, job functions or characteristics that can provide insights that will influence strategic marketing decisions. Fields to an HR development company customer might include concentrations like leadership development, hiring systems and workforce retention. Make sure that these profile characteristics are served by the content categories in #4 (below).

4. Determine 5 - 8 separate categories of content that will appeal to the specific segments and develop resources to create or source this content on a regular basis - no less frequently than quarterly but no more often than monthly.

5. Develop a graphic newsletter template that can feature a hierarchical presentation of the content categories and promotions - generally a headline and an opening paragraph of each. Every effort should be made to make sure the entire newsletter cover page does not extend below the browser window.

Newsletters are a critical component of the new online customer/company relationships for several reasons. First, customers opt-in for them and therefore actually welcome their arrival. In a long list of unread subject lines, they read the ones they actually invited. Also, because newsletters by their very nature contain "news" and not just promotions, customers feel the company is providing a service - just like our Roman tailor. And finally, online newsletters offer true relationship equality. Customers are free to respond and share, companies collect learning that turns into increasingly more relevant content and promotions. Everybody logs off brand happy.

6. Do it again and again.

Online retention programs are relatively easy to turn into a repeatable process. Start with one or two "beta" audiences and then scale up and outwards into more segments from there. Consistency is critical since developing a continuous, expected experience keeps customers and content aligned.

Finally, it's impossible to overemphasize the importance of thinking through every program from start to finish. Successful retention depends on following a specific roadmap along the way, (and making sure every stakeholder is reading off the same map). Plan from the beginning how the learning you gain at the end of an initiative will continue to nurture a loyal customer. And don't be afraid to use the new technologies to rewrite the rules and explore new loyalty-building concepts.

IMN has pioneered Informative Marketing, an approach that is based on the continuous measurement of responses to content and offers for an improved return on investment (ROI). The company's e-marketing services include e-newsletters, e-marketing campaigns and e-mailed blogs. IMN is based in Newton, MA. More information can be found at www.IMNINC.com or by calling 781-890-4700.

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