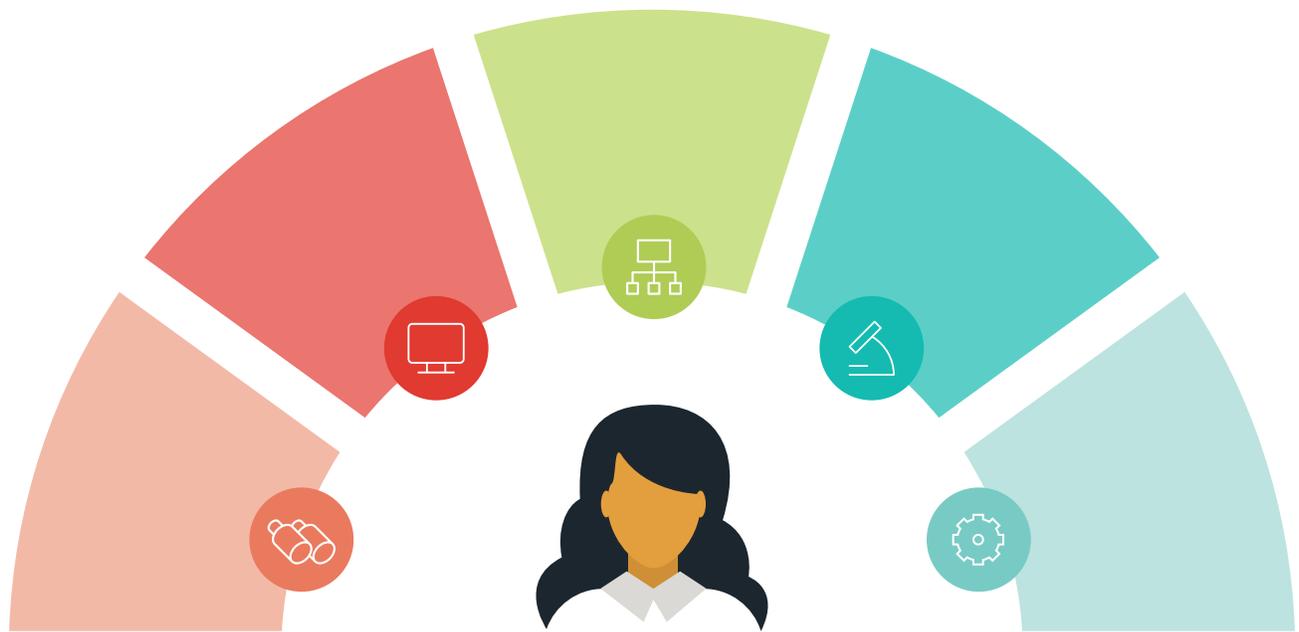


CUSTOMER CENTRICITY THROUGH CONTACT STRATEGY:

How A Major Retailer Made It Work



Every company wants to be thought of as customer-centric. A worthy goal. However, most companies find this a case of easier said than done.

As companies continue to improve in the core aspects of marketing, like building better products and implementing more targeted marketing efforts, they struggle with silos. Product managers with specific P&L responsibilities think of only their product. Line-of-business managers push their specific agendas.

Few companies look holistically at what might be best for the customer.

To become truly customer-centric, leading businesses are implementing sophisticated contact strategies focused on what's best for the customer, as well as the company.

These are the key factors necessary for customer-centric marketing through contact strategy:

Organizational focus on the customer



The company must agree that building customer relationships by delivering what's best for each customer trumps internal product goals. This includes organizational alignment, where business process and resource management are centralized and internal incentives support this approach.

Technology infrastructure



Data must be collected from disparate places around the organization and attributed to customers so that a comprehensive picture emerges for each person. This provides the platform for customer-centric marketers to understand what's best for each customer and measure the impact across all offerings.

Customer management framework



Successful companies create a framework that is used to segment customers and establish customer goals and strategies, and then measure the impact of programs against the goals.

Analytical expertise



Data analytics drive the decision-making process regarding such things as: customer profitability, propensity to buy, likelihood to defect, test design and analysis, and measurement of program results.

Automated marketing solution



Implementation of a contact management strategy typically requires an automated marketing solution. This provides the ability to implement complex matrices regarding offer, timing and resource allocation in a "lights-out" fashion.

Disclaimer: Yes, this looks like quite an undertaking ...because it is. But rest assured, like any good strategy, its execution is absolutely possible with the right experts in your corner.

The Path to Customer Centricity at a Major Retailer

BACKGROUND

Through nearly 1,000 stores, this retailer sells office supplies and paper, in-store print and document services, technology products and solutions, and furniture.

The company's customers received a number of different marketing and sales touches across multiple channels, based on the needs of disparate internal groups. Ultimately, the retailer sought to centralize these disparate marketing efforts with a customer-focused strategy.

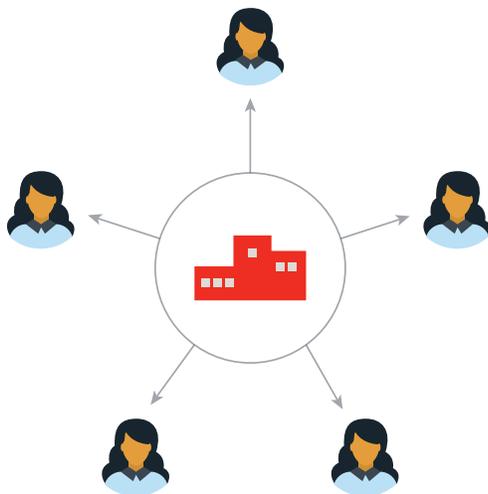
PROJECT GOALS

Together we formulated the following goals:

- Create a logical framework for the retailer's employees to understand the customer base
- **Optimize customer relationships** over time by creating the right contact strategy
- Support tactical, campaign-specific decisions driven by a customer-centric marketing model



The company must agree that building customer relationships by delivering what's best for each customer trumps internal product goals.



Traditional marketing models are brand-centric – where the same message is sent to many customers.



1:1 marketing is customer-centric by nature – copy, images and offers are personalized for each customer.

DEVELOPMENT PROCESS

1. Understand customer value and lifecycle stage.

A **customer value framework** was developed based on the current value and potential for each customer. In addition, the customer lifecycle stage was also identified (prospect, new, reactivated, active, inactive) and they were assigned to a framework cell.

2. Establish customer management objectives.

This project was focused on three key goals for specific customers:

- Grow high opportunity customers
- Retain the best customers
- Minimize cost on low value customers

By virtue of placement within the framework, each customer was assigned to one of these three objectives.

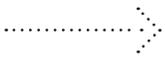
3. Establish strategies tied to each objective.

Together we worked to establish relevant strategies for each customer group which drove tactical customer treatments.

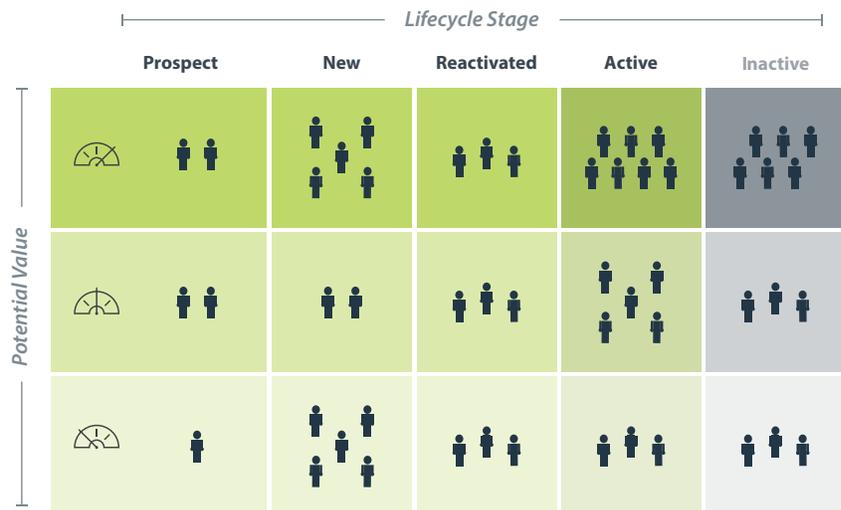


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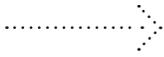
CUSTOMER VALUE FRAMEWORK



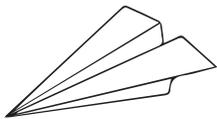
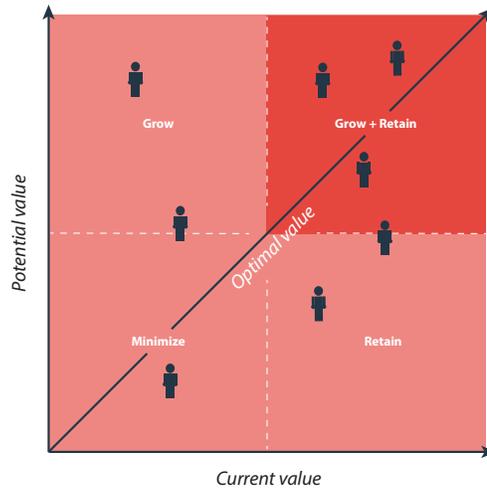
By developing a customer value framework, marketing resources can be optimized by investing in growth strategies to retain high value customers while also minimizing spend on low value customers.



SPECIFIC CUSTOMER GOALS



High opportunity customers are exposed to marketing tactics that drive growth, while customers who are at the optimal value are retained with different strategies.



4. Ensure the “best” message is delivered.

Marketing messages were categorized into key areas that mapped to the customer management objectives:

- Cross-selling – selling additional products to recent buyers
- Lapse repurchase – generating repurchase from customers who have recently lapsed
- Loyalty – creating loyalty with high value customers
- Defection prevention – retaining high value customers most likely to defect

Campaigns and tactics were implemented by leveraging a **data-driven targeting** approach that incorporated the following:

- **Triggers** that leverage customer behaviors were linked to cross-sell, lapse repurchase and defection prevention
- **Models** to identify product purchase propensities
- **Promotional campaigns** that drive specific product purchases
- **Loyalty communications** to tout reasons to be a customer beyond specific offers



Data must be collected from disparate places around the organization and attributed to customers so that a comprehensive picture emerges for each person.

5. Ensure customers are managed properly.

A number of critical elements are considered to confirm customers receive optimal communications. One area is contact cadence – the frequency and timing of marketing messages.

Contact Cadence

The timing of each communication must link to customer objectives. A series of analytics derived from purchase behavior helped determine the optimal numbers of touches between buying cycles for each customer. Based on each customer's placement on the framework, cadence assignments were calculated separately for each segment.

Marketing Automation

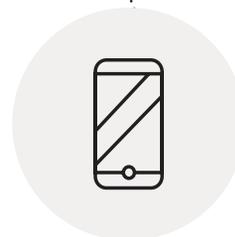
Another critical element to managing communications is the installation of an **automated marketing solution**.

This solution integrated a number of inputs to deliver the optimal contact stream to each customer:

- Propensity models
- Behavior triggers
- Channel preferences
- Contact arbitration rules
- Cadence rules



Automation provides the ability to implement complex decision matrices regarding offer, timing and resource allocation in a “lights-out” fashion.



6. Test, measure and optimize.

To ensure the ongoing effectiveness of this strategy, **marketing initiatives were measured** based on:

- Revenue per customer
- Gross margin per customer
- Product categories purchased per customer
- Length of customer retention

In addition, the program includes testing within contact streams, related to message variables like offer, imagery and timing. Continuous testing is a critical step in improving results over time.



Data analytics drive the decisionmaking process regarding such things as customer profitability and test design and analysis.

Customer Centricity Is The Key Differentiator

From good standing to goodbye, it takes far less today to lose the faith (and business) of a customer. That's why using data to inform decisions and create on-the-mark communications is at the center of customer centricity.

While still early, this retailer's contact strategy has delivered impressive results. Individual phases of the program – onboarding, cross-sell, lapse – have been measured, reporting ROIs ranging from 40-350%.

Additionally:

- Customer objectives are aligned within the organizational structure.
- Marketing automation replaced hand-made campaigns and manual reporting.
- Resource allocation has improved, with higher spend dedicated to higher value customers.
- More relevant communications have driven higher response.



ABOUT RRD MARKETING SOLUTIONS

RRD Marketing Solutions helps brands optimize engagement with their customers, across all touchpoints – online, offline and onsite. The group activates marketing resources in the most impactful way, through a combination of predictive insights, inspired content and meaningful interactions. Visit **MS.RRD.com** to learn more.

