

Customer Retention for the Real-time Generation

An eglue White Paper **June 2008**

Inspire every interaction.™



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1 Executive Summary

Customer retention has become a cornerstone of efficient revenue generation, and past history has shown us that the importance of customer retention increases during challenging economic conditions.

However, customer needs have changed, and we must change our approach to maximizing customer retention. We are now in the era of the Real Time Generation, and we must adapt our strategies if we are to meet the needs of this new demographic and increase customer loyalty. Real Time Customer Interaction solutions will play an essential role in adapting to these new needs, and solution investments must increase our ability to respond to the needs of the Real Time Generation.

In this white paper, we revisit the fundamental principles of customer retention, explore how customer needs have changed, and recommend how customer strategies and solution investments must adapt to these new challenges and opportunities.

2 In a Downturn Economy, Customer Retention is Key

In challenging economic times, the importance of customer retention increases. A downturn economy takes us back to business basics – it makes us have a definite focus on cost effective revenue protection and growth.

We all know about the importance of customer retention. The higher the long term value of your customer, the more important it becomes to build loyalty with your customer base and to promote customer retention as an essential element of your strategic mix.

And history has shown us that, in challenging economic times, the importance of customer retention increases. A downturn economy takes us back to business basics – it makes us have a definite focus on cost effective revenue protection and growth.

And the logic is simple – gaining new revenue through customer retention costs less than growth through new customer acquisition. Research shows that customer acquisition in some industries is up to 5 times more costly than customer retention¹. A two percent increase in customer retention can lead to the same level of profitability growth as a 10 percent cost reduction². Put simply, it is more cost-effective to sell more to a customer you already have than to constantly strive to attract new ones.

In addition, viral marketing – or customer word of mouth – is becoming an increasingly important marketing strategy in challenging times. A satisfied customer will, on average, tell four acquaintances about his or her positive experience. A dissatisfied customer, on the other hand, will share his woes with 12³. Customer satisfaction assurance is therefore a cornerstone of effective marketing. Moreover, when the economy eventually recovers, companies that have best retained their customers will have secured a ready-made market, on which further growth can be built.

¹ <http://www.inndist.com/article/CA6418872.HTML> - "8 Tips To Improve Your Customer Service: Customer service experts agree: Pay attention to your customers" by Brad Perriello, Industrial Distribution, March 2007

² Ibid

³ Ibid

3 Customer Needs Have Changed – the Real-time Generation is Here

We can rely on experience to teach us the importance of customer retention, and the increased attention it requires in a downturn economy. However, we cannot simply rely on this experience to guide us in how we go about driving customer loyalty and increasing retention.

It's time to realize that customer needs have fundamentally changed in recent years. We are now experiencing a new era – the era of the Real-time Generation, whose needs must now be met if customer retention is to be increased, and their loyalty assured.

The Real-time Generation is a technologically savvy one. Members of this generation are comfortable with real-time virtual social networking – they makes use of YouTube, Facebook, Google applications and Second Life as a matter of course, and demand the same level of sophistication and immediacy in their dealings with product and service vendors. They expect immediate answers to all questions and have little tolerance for “bureaucratic” process delays. And they have less patience if their needs are not met. They have access to a massive range of choices of supplier, and can switch with great ease if they are not happy.

Having grown accustomed to immediate gratification in their social life, an “I’ll get back to you tomorrow” approach has become completely unacceptable to them. Try to keep them waiting and you will lose them. They expect companies to be intuitively aware of their needs and wants.

Let us look at the demands of the Real Time Generation in more detail. There are five principles that drive their relationship with their suppliers:

- 1 Know us **now**. If I have provided you with information in the past, don't ask me for it again. If I am good enough to provide you with new information, react to it now and act appropriately
- 2 Solve **my** problem **now**. Don't just say you'll get back to me, or transfer me to somebody else unless you really have to. I need the individual I am dealing with to be equipped and to be able to respond to my immediate problem. Suppliers may think that “First Call resolution” is a measure of customer service efficiency, but for me it is a basic requirement if I am to stick with a supplier.

- 3 Meet my needs **now**. Don't talk to **me** about what I may have wanted a month ago. I need you to provide **me** with what **I need** right **now**, because by tomorrow, my needs will have probably changed again. Sell to my real and immediate needs.
- 4 There is no distinction between service and sales – they are two sides of the same coin. Good service will lead me to buy more, so why not do both at the same time – but only if you can do so in an appropriate manner that increases your value to me.
- 5 **Get it right** every time. Make every interaction count. **You are only as good as your last interaction**

Meeting the needs of this new generation of customers presents a real challenge. We need to refocus our customer strategies and solution to meet these new needs

Customer-centric solutions have traditionally been based on historical databases, fixed processes and batch processing of predictive analytics. While these systems remain a valid core of customer-facing efforts, they must be infused and complemented by a real-time dimension. Companies must be able to not only act on static customer data, but to also react to changing customer needs during the course of every single interaction, and provide immediate and appropriate response to these changing needs. The ability to immediately and effectively respond to changing customer needs has become the very foundation of customer satisfaction and retention strategies in the era of the Real-time Generation.

4 Accelerating the Move to Real Time

Any investments made in solutions, must cut costs and drive cost-effective revenue growth.

Companies can increase revenue from cross- and up-sell by as much as 25%, while simultaneously cutting down customer call handling costs by as much as 44%

The current economic downturn will accelerate the move towards meeting the needs of the Real-time generation. Today, any investments made in solutions, must cut costs and drive cost-effective revenue growth. This is exactly what effective real-time customer interaction solutions can deliver.

Here's an example.

Let's suppose that during the course of a service call to its call center, a company is capable of identifying changes that have occurred in its customer's circumstances, recommend a new purchase suitable for the needs driven by his or her new circumstances, and propose this new purchase in a manner matching both the customer's expectations and the agent's skills and capabilities.

If all this is achieved at the right time, during the course of the interaction and without the need for referrals, overnight analyses or callbacks, the company has effectively met the expectations of the Real-time Generation, and is consequently bound to improve its ability to retain its customers. Cost-effective revenue growth is an additional side benefit. Costs are cut down due to reduced customer handling time, minimized need for callbacks and effective progress towards first call resolution. Additionally, the company gains valuable new revenue without the high costs of acquiring new customers. Finally, it increases the likelihood of being recommended by its customers to others, which in turn bears the alluring prospect of achieving incremental cost-effective revenue. These are exactly the business drivers dictated by the economic downturn.

eglua's experience has shown that by implementing such solutions, companies can increase revenue from cross- and up-sell by as much as 25%, while simultaneously cutting down customer call handling costs by as much as 44%. It is this kind of real, measurable and immediate benefit that justifies IT investments in a downturn economy.

There are many other examples that clearly demonstrate how meeting the needs of the Real-time Generation can directly promote the needs of companies in a downturn economy. Here are a few more:

- If a company can provide its agent with the accurate real-time information required to effectively handle all customer queries without having to invest in extensive agent training, it effectively provides its customers with immediate satisfaction while reducing its own business costs.

5 Investment Priorities

While returns on investment in real-time customer interaction solutions may seem self-evident, they do not make the task of securing investment any easier, as IT investment is always directly impacted by economic climate.

History does suggest that investments in customer-centric systems have been proven to deliver continuous compelling returns.

History does suggest, however, that investments in customer-centric systems have been proven to deliver continuous compelling returns. A recent study by AMI Research has shown that the average revenue per employee achieved by companies that have deployed CRM systems is \$306,618, compared with \$229,025 for companies that have chosen against taking this route.

Not all investments in customer-facing solutions bear equally positive impact. One should bear in mind that the most prudent and successful investments in customer interaction management solutions for the Real-time Generation should:

- involve low implementation costs and minimum business disruption,

Add incremental value to past investments, while enabling companies to avoid “root and branch” system swap-outs

- achieve both cost savings and revenue growth,
- generate immediate, quantifiable returns (corroborated by the solution provider), rather than promises of long-term ROI with many caveats,
- reduce capital expenditure by promoting creative commercial transactions,

6 Summary

The world has changed since the last economic downturn. Customer needs have become more pressing than ever before, the choice and abundance of products and services available to customers are unprecedented, and customers of the new Real-time Generation have become accustomed to receiving instant gratification. All of these developments have led to an increase in the Real-time Generation's consumer power.

And yet, the basic principles of good business practice in a downturn economy remain unchanged. The imperative continues to be to drive customer retention through service excellence as a means of efficiently achieving revenue growth.

The challenge lies in adapting to meet the needs of the new consumer paradigm. Adopting the right strategy and making prudent investments are key to overcoming this challenge and achieving success.

7 eglue – Inspiring Real-time Customer Interaction

eglue makes it possible for companies to achieve the most efficient and optimal results during each and every customer interaction, by continuously adapting and responding to changing business circumstances in real time, and by managing the inherent unpredictability of interacting with customers.

InterAct Suite, eglue's comprehensive suite of targeted business solutions, fits right into companies' existing customer-facing systems, and is capable of performing intelligent information extraction from any data source, including dynamic real-time screens, with minimal integration effort.

The suite's patent-pending technology adapts activities and advises agents of recommended decisions and actions as required, presenting personalized, context-sensitive callouts to either customer-facing agents or customers throughout every interaction, and across any communication channel.

Unique to the software suite is its ability to recommend business decisions by intelligently combining real-time interpretation of an interaction in progress with historical data sources, forming complete and on-going understanding of the customer's and the organization's – changing needs.

The result – organizations gain the ability to handle any combination of circumstances in any interaction to customers' complete satisfaction, while remaining true to the objectives that are most important to them at any given point in time.

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