



# CUSTOMER VALUE MANAGEMENT PRINCIPLES

TOP 5 RECOMMENDATIONS FOR USING CUSTOMER LIFETIME  
VALUE TO BUILD PROFITABLE CUSTOMER RELATIONSHIPS



Communications Service Providers (CSPs) live in a world where penetration rates are over 100 percent in most markets and consumers have multiple different — yet relatively similar — choices.

As CSPs strive to retain customers, they are finding that traditional marketing techniques no longer generate sufficient returns. Instead, they are turning to the concept of Customer Value Management with one-to-one personalization as a way to generate more value from their existing subscriber base.

This article discusses the importance of understanding Customer Value Management and offers five key recommendations to improve customer interactions and deliver value back to the business.

These insights are based on a podcast discussion among Jeriad Zoghby of Accenture Interactive, Dr. Rob Walker and Tom Erskine of Pegasystems.



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# Mass Personalization



Your customers today are becoming more selective. They expect you to address their needs of the moment with truly relevant experiences. This demands communications that are personalized, tailored offers, and even location-based messages.

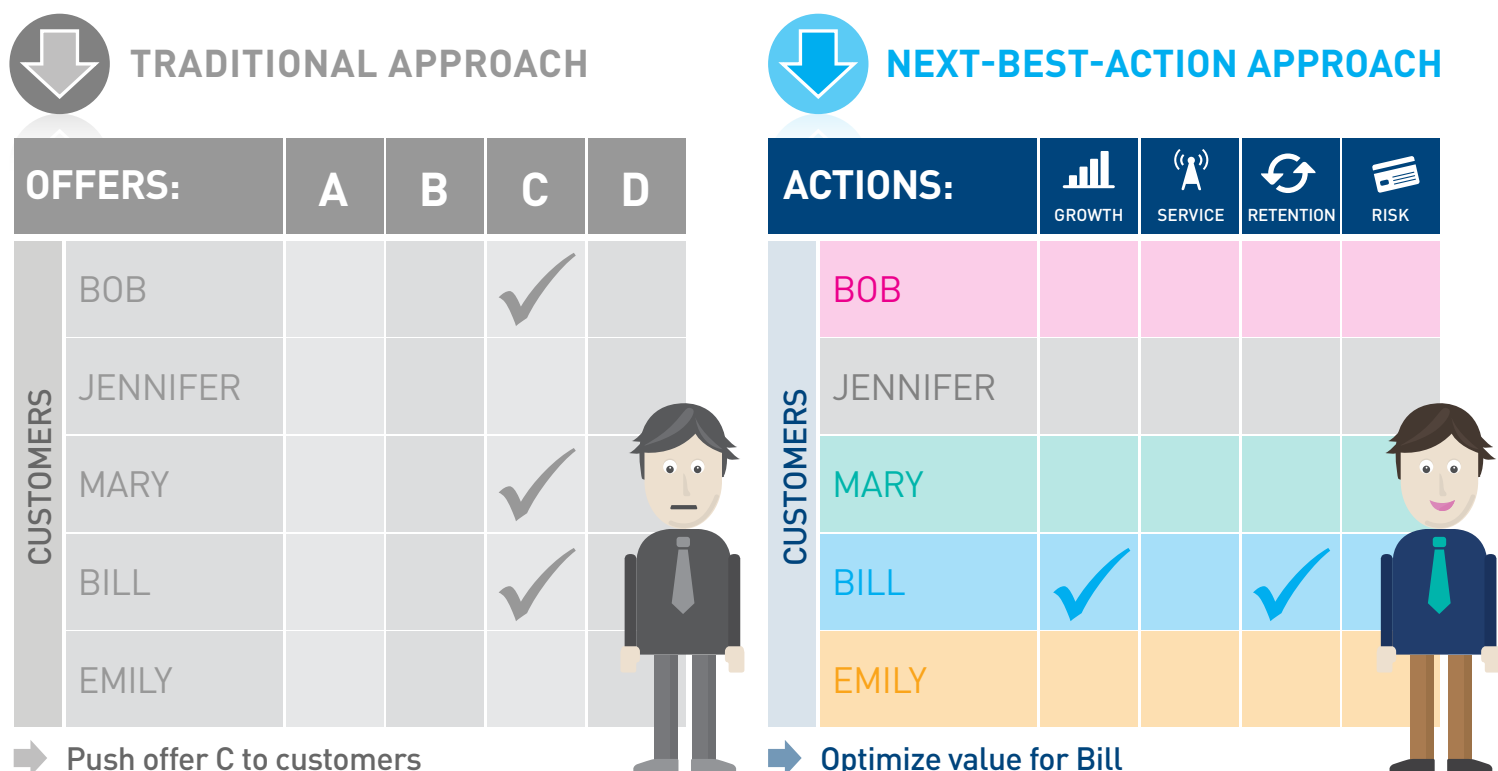
Before investing in technology to deliver these types of experiences, it's important to understand the value of an individual customer to your business. Without this understanding you are at risk of attracting the wrong mix of customers.



# Analytics-Driven Approach

Customer Value Management (CVM) is designed to align your messages with the individual customer. The best way to implement CVM is using the concept of Next-Best-Action, which is a relentlessly customer-focused way of deciding what action to take to best move the relationship forward during each customer interaction. This requires powerful analytics to determine customer interest and prioritize it based on a metric that has to include lifetime value or a close proxy to it.

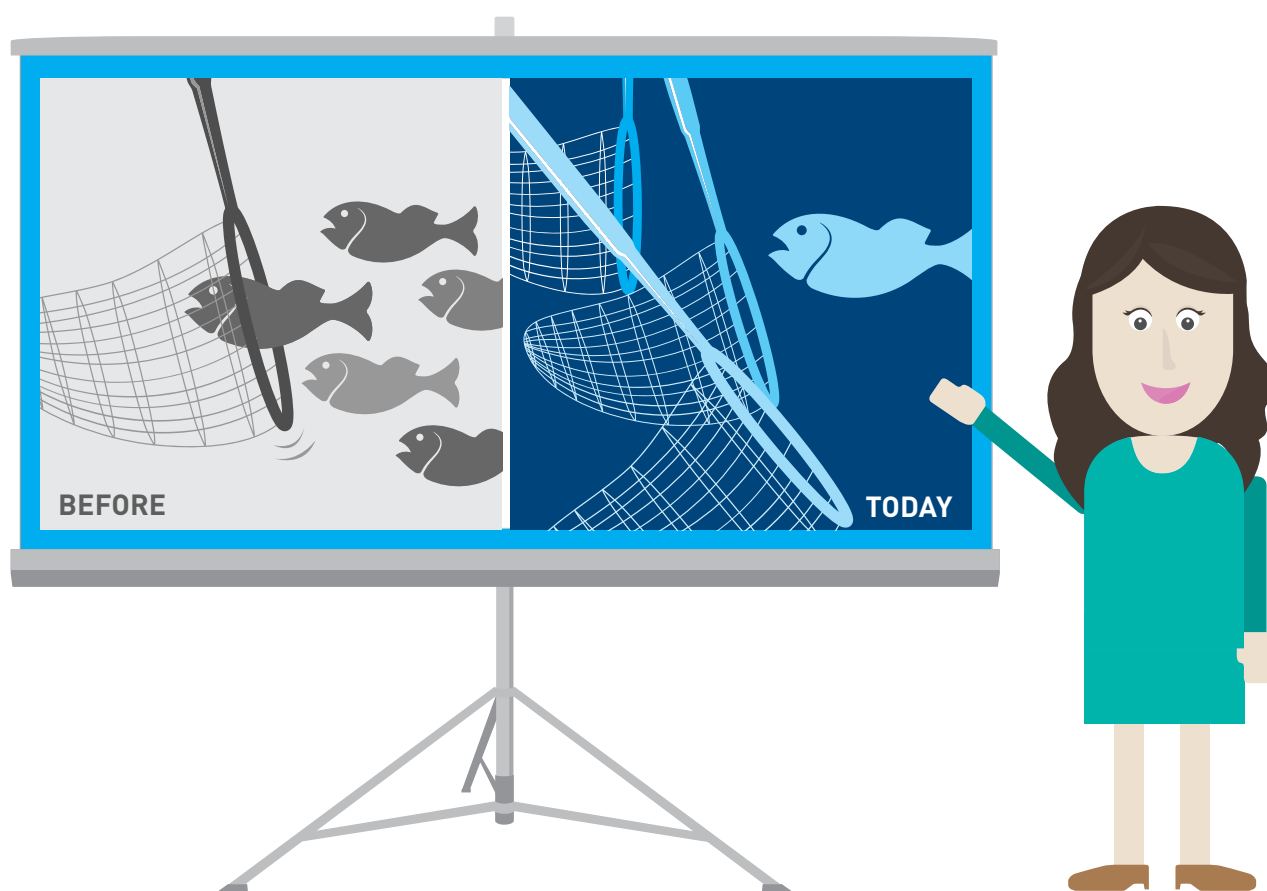
Next-Best-Action moves analytics out of a passive role into an active role where it is embedded in operational systems, enabling one-to-one personalization at scale across marketing, sales and service and allowing you to manage valued relationships at a more financial construct level.



# There's Plenty of Fish in the Sea! Well, not anymore.

Five years ago, traditional segment marketing techniques were driving growth in both subscribers and revenue. But in today's saturated market, differentiation becomes harder every day. To use a simple analogy, five years ago the fishing was easy —throw a net in the water and haul in a boat load of customers. Today that's all changed. There are a lot fewer "customer fish" and a lot more fishermen. In this environment, the nets are coming back empty.

An analytics-driven approach that takes customer value into account is like having magic sonar to see exactly where the big fish are and do the best job of reeling them in.



# TOP 5 RECOMMENDATIONS

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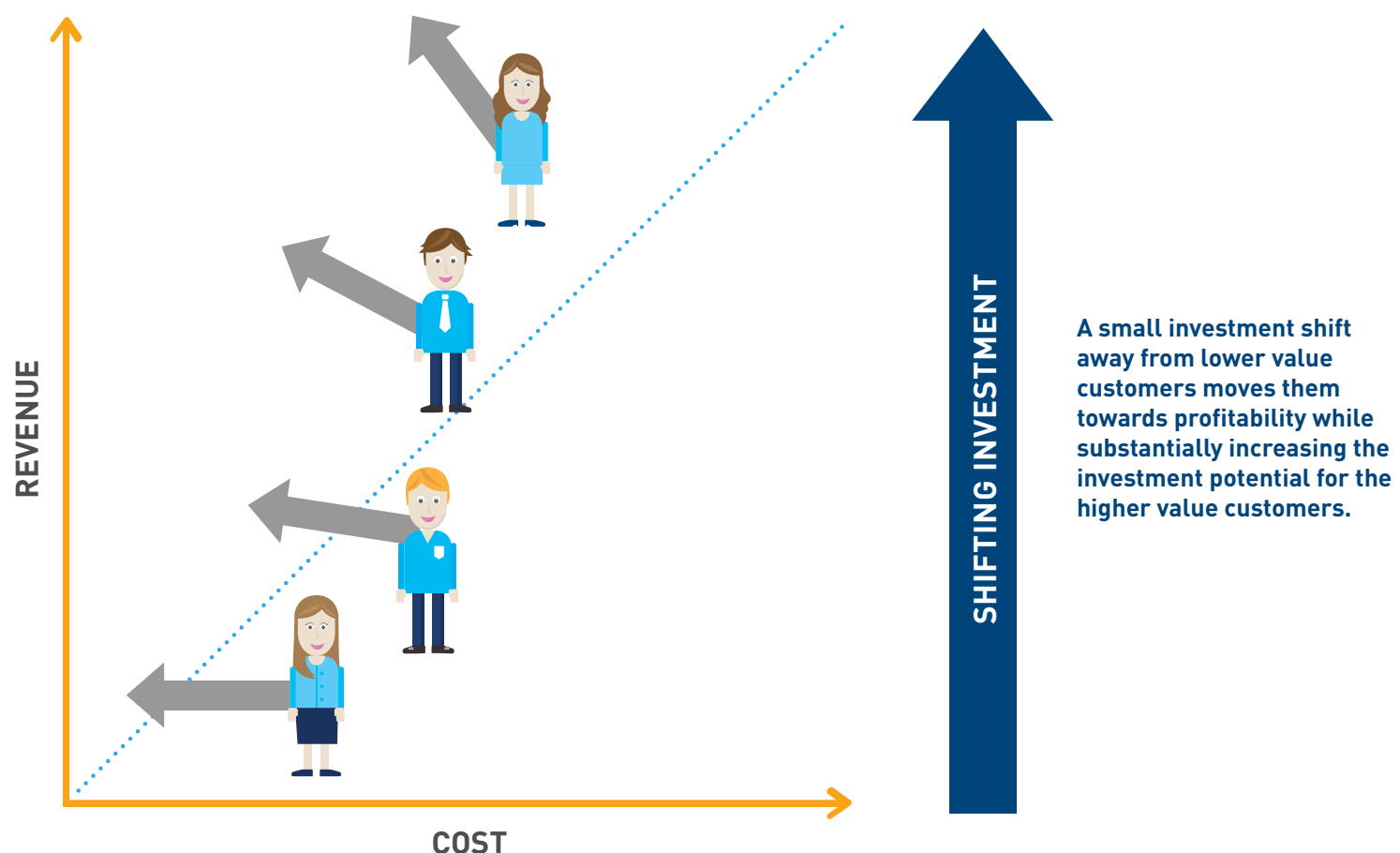
- #1 Operationalize the 80/20 Rule
- #2 Create an Individual Budget
- #3 Manage Your Investments Across the Customer Lifecycle
- #4 It's Not Rocket Science, Really!
- #5 Get Inspired

# #1

## Operationalize the 80/20 Rule

Twenty percent of your customers are worth eighty percent of your profits. The challenge is in knowing who they are. Your best customers and 80 percent of your profits are outnumbered 4:1 in the data, the insights, the analytics and the market research. They're being buried under an avalanche of white noise.

Focus on getting the financial construct in place around Customer Value Management. Reallocate investments across customers to create a more aligned relationship based on how valuable they are to your business and how much potential they have.



# #2

## Create an Individual Budget



You can calculate an individual budget based on the customer value that can be used during the customer interaction. This could be an individualized sales discount, individualized retention incentive, or maybe even individualized payback proposal for collections. It's not black and white using averages. It's very specific and always takes customer value into account.

The Next-Best-Action paradigm combines the customer's stated and predicted interests with business objectives. When you use a budget based on customer value, you will start to favor interactions with the most valuable 20 percent of your customers.



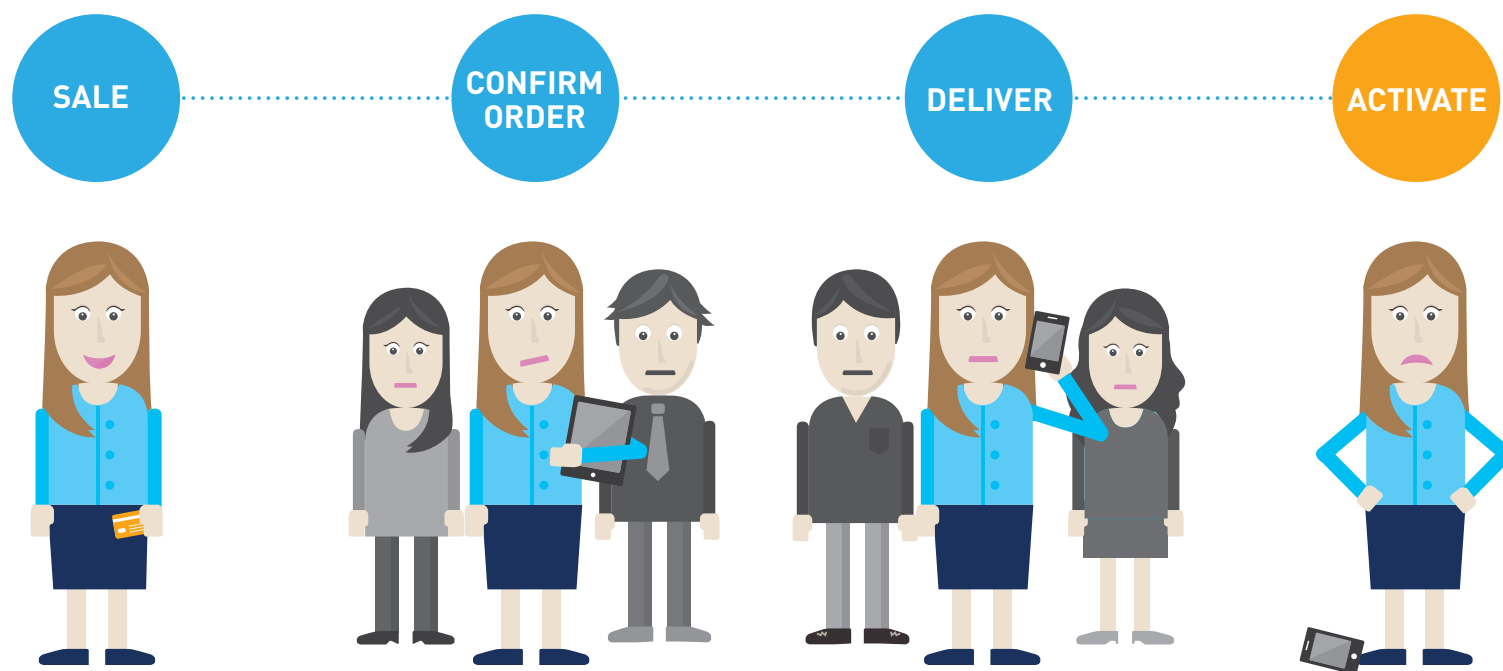


# #3

## Manage Your Investments Across the Customer Lifecycle

It is critical that you manage customers at a 1:1 level across all touch points whether it is marketing, servicing or sales and create a more personalized interaction throughout that entire experience. Your customers expect this.

Oftentimes valued customers get a great experience in the sales channel. But when they get to order confirmation, delivery, and activation, that differentiation diminishes. As a result, your best customers end up cancelling orders and returning products because their expectations weren't met when they got into those other channels. This is a significant cost back to the business.



# #4

## It's Not Rocket Science, Really!

Don't make this overly complex. Create a simple business case and make it very easy for the business to manage. The most successful implementations are those that are governed by the business because customer behavior and market dynamics change very quickly. You need tools that allow marketers, risk managers and every other stakeholder in the customer experience to own their strategies. You can't hard code it!

In addition, don't let the technology organization and the data integration hold you back. Take an incremental step by step approach, with a retention or upsell use case, and pull in eight to ten different raw data elements in order to make the initial business case.

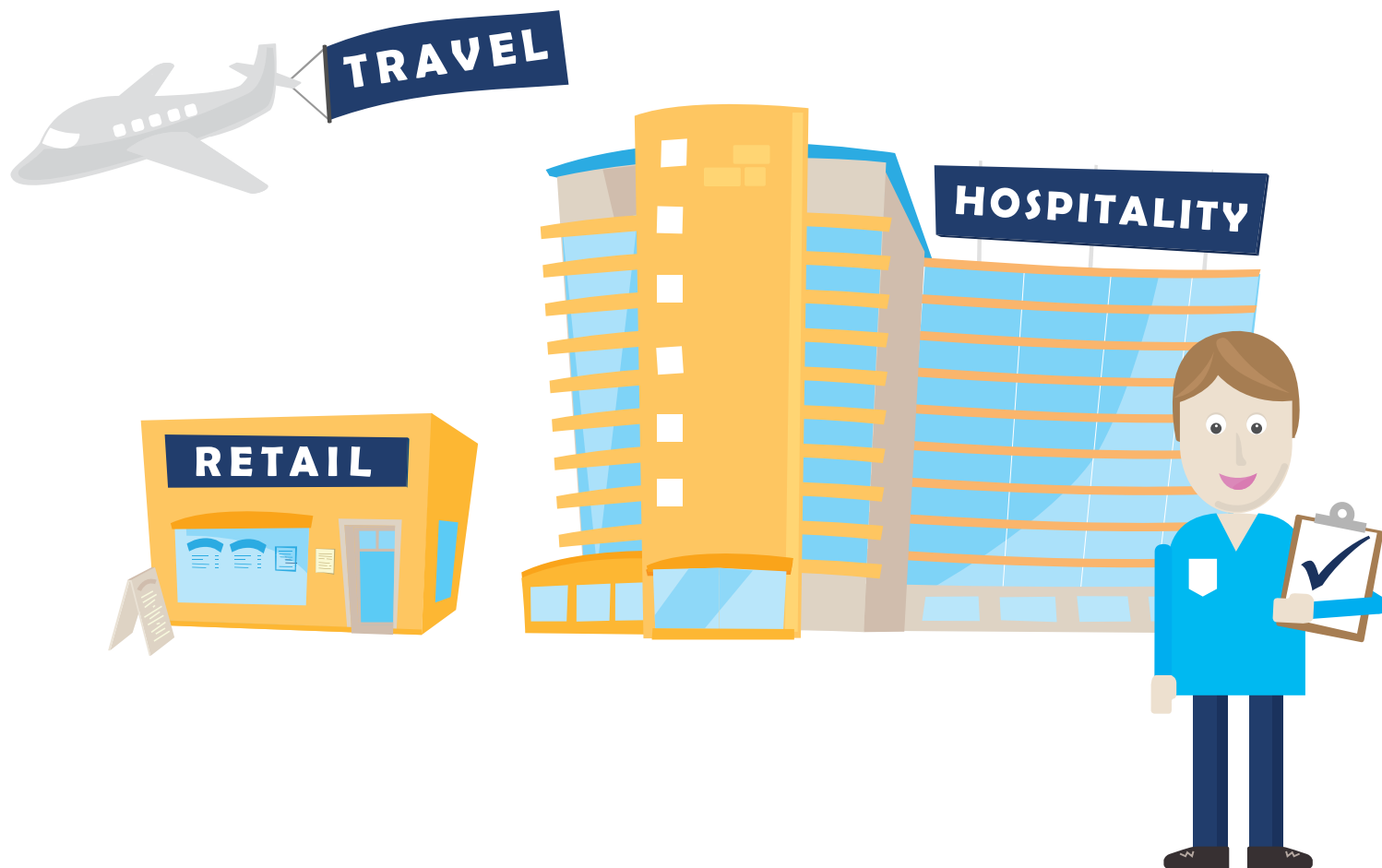


# #5

## Get Inspired



Look outside your industry for inspiration and for best practices regarding how you apply these customer value principles in your day-to-day operations and in all of your customer interactions. In fact, you can learn an incredible amount from leaders in hospitality, travel and retail who are far ahead in terms of customer value management principles.



FOR MORE INFORMATION ON CUSTOMER VALUE MANAGEMENT, DOWNLOAD THE PODCAST

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