



We Share Our Knowledge

Article no. 31

**Managing Marketing
Communications with
Customers**

By: Smadar Kirshtein, Synergy Consultant

June 2007

1. Introduction

Numerous studies show that organizations who manage their communications with their customers effectively, methodically and continuously have more satisfied, more loyal customers.

The objective of this article is to summarize Synergy's knowledge and expertise in the field of managing marketing communications with customers.

2. What is a Communications Management Strategy?

With the growing abundance of marketing messages and the need to increase marketing campaign efficiency without harassing the customer, organizations now recognize the need to manage their strategy of marketing communications with the customer, taking into account both the customer's needs and the organization's objectives. This is also the reason why the rules of customer referral management are now called "Sanity Rules".

Communication management strategy is a set of predetermined rules defined according to their gradual dependence and hierarchy in relation to the frequency of contacts between the organization and the customer. Therefore, we should be aware that when we contrive such strategies, we are ultimately constructing a modular plan that can be adapted according to any number of definitions, pending on organizational needs and business strategies.

3. Rules of Thumb in Constructing a Communications Management Strategy

1. Communication management level - Which unit in the organization will supervise the communications plan? Who is the customer for whom we are constructing a communications plan?

Naturally, the hierarchy of units within the organization varies according to the subject matter, and each organization must make the business decision most suitable for its market, according to its ability to clearly identify the required unit within its data systems.

2. Mapping the referrals upon which the strategy will be applied - As a foundation of any communications management strategy, the organization must determine which referrals and contacts with the customers the strategy will be applied upon. In order to make this distinction, there are 2 main mapping requirements:
 - a. The contact initiator – there should be a distinction between referrals, according to the referral initiator ("incoming" vs. "outgoing" communications).
 - b. Which referrals will be "counted" – mapping the outgoing referrals to customers as counted/uncounted referrals in the communications plan in order to maintain a cooling period between referrals.
3. Critical mass - The organization must initiate a minimal number of referrals to its customers, in order to create a critical mass of customer contacts. A few sporadic contacts will not establish a communications strategy, nor will they create perceived added value for the customer.
4. Customer value - the communications strategy should be based on the customer's value to the organization, such as there will be a correlation between the type of customer and his consuming behavior, and the number of annual contacts with that customer.
5. Distribution ratios - One of the most common problems today is that we tend to refer to the same customers over and over (based on a prediction model or business rules relying on

previous activities). It is important to distribute the referrals and enable communications with the organization's entire customer base.

6. New customers - New customers tend to be more prone to abandonment. Therefore, a more intense contact should be maintained with those customers, in order to create loyalty. Most organizations construct a separate communications strategy specifically designed for new customers.
7. Assessments - Periodical assessment reports should be issued, reviewing the durability of distribution ratios and the determined objectives of annual communication strategies (i.e. the amount of referrals).
8. Customers who asked not to be targeted by marketing campaigns - No marketing referrals should be made to these customers. However, there are several ways of dealing with this issue. Each organization must choose its preferred approach.

4. Constructing and Typifying the Marketing Communications Strategy

4.1 Segmenting referrals

Most organizations choosing to initiate marketing referrals to their customers typify the sum of referrals according to referral objectives and segment them into categories, in order to provide a better understanding of the "sanity rules", seeing as how a sales referral differs from a marketing one. Below is a list of referral types and contents:

Referral Type	Referral Content
Information	Conveying relevant information to the customer, sometimes via a call for action.
Triggers and alerts	Based on activity/behavior irregularities. Usually also includes a marketing and a sales offer.
Sales	The objective here is to sell a product/service to the customer in order to increase the volume of his activities, and generate more revenues for the organization.
Personal	Based on a personal event in the customer's life (birthday, moving, etc.), unlike referrals based on consuming behavior.
Service / infrastructure	The objective is to inform the customer about a new service/application/contact option/communication channel/etc.
Retention	Referring to abandonment-prone customers (identified according to abandonment prediction models or abandonment indication).

4.2 Managing communications with the customer according to market segments

In order to improve communications with customers, many organizations segment their customer base according to information previously gathered. However, the correct way of doing so is to initially act according to a unified plan for the entire customer base, and only after identifying those customers with the highest potential for increased communications without jeopardizing efficiency, should a specific communications plan be constructed for them. That said, the organization should

beware of overcomplicating the communications plan, as it might lead to loss of control due to management resources required to maintain complex strategies in the long run. Most organizations choose to construct their communications plan according to the analyses of referral types and previous successes. They also make hard line suppositions, preferring to start slowly and then gradually increase referral volume, based on acquired experiences.

4.3 Sanity rules, or cooling periods

The objective of the sanity rules is to define minimal cooling periods between referrals, based on the following principles:

- a. The cooling period starts at the time of contact initiation or at the time of referral closure.
- b. Triggers and alerts – these referrals are based on abnormal customer behaviors, and can therefore be considered as "arbitrary". However, since these referrals usually include a sales offer, it would be more appropriate (as far as the customer is concerned) to count them as sales offers in the cooling period count.
- c. A cooling period of 0 days is a last referral that wasn't counted.

Below is a chart of sanity rule samples:

Future referral	information	Triggers & alerts	Sales	Personal	Service & infrastructure	Retention
Last referral	T2					
information	T1	0	0	0	0	0
Triggers & alerts		45	45	0	0	0
Sales		60	60	0	0	0
Personal		0	0	0	0	0
Service & infrastructure		0	0	0	0	0
Retention		80	80	0	0	0

4.4 Status and responses

Should the customer's response be taken into account?

Typifying the different responses could complicate strategy management, as it adds another factor into the mix. However, it is crucial if we want to assess the marketing offers' success. Consequently, it contributes to the effective management of customer relations. There are some organizations that decide, based upon those measures, to terminate communications with customers in channels they don't respond to.

4.5 Volume of customer referrals

The amount of customer referrals initiated by the organization is usually managed in yearly intervals, and can be anywhere from a minimum to a maximum number of contacts. Inherently, minimum contact would be with customers who are less active, and have less growth and/or revenue generating potential.

The chart below summarizes the communications activities:

Referral type	Minimum annual referrals	Maximum annual referrals
information	unlimited	
Triggers & alerts	1	12
Sales	1	6
Personal	1	4
Service & infrastructure	Unlimited	
Retention	1	3
Total	4	12

It's important to note that this is only an example. In fact, the organization should monitor the activities and try to align referral volumes according to previous results and customer segments.

4.6 Communication channels

Nowadays, organizations are able to refer to customers in a variety of channels. As a result, the inclusion of all channels in the communications plan is crucial. As it happens, for most customers, an email or an SMS does not equal a call initiated by the organization. Consequently, when we construct our communications plan, we must map the communication channels available, and rate their level of intrusiveness to the customer. Additionally, since most of these channels are reciprocal, we should make sure that all channels are synchronized with all offers. That is, a customer who was addressed by the organization with a purchase offer and chose not to purchase that product should not be approached with the same offer the next time he initiates a contact himself. Monitoring customer responses helps understand the influence a certain channel has on the customer, and rate that channel's intrusiveness level and the customer's indifference accordingly. Customers who never respond to emails but do respond to SMS should not be approached via email. The practical manifestation of these principles is setting filters, such as only one quarterly telemarketing call per customer (assuming it was determined that this channel is more intrusive than others).

4.7 Prioritizing referrals and offers

Once the communications strategy is implemented, the organization should prioritize the number of relevant referrals to that customer. The best way would be to prioritize according to revenue generating potential.

Below is a sample of prioritizing customer offers from first to last, according to referral types.

- a. Retention – the customer retention offer will always be the first to be sent to the customer, based on the premise that a customer preparing to abandon will not respond to a sales offer, or any other offer for that matter. From the organization's standpoint, losing the customer is worse than any other possible outcome.

- b. Triggers and alerts – due to the credibility of this activity (timely and relevant), and due to the affect of the offer's timing on the campaign's success, these offers will always be second only to retention activities.
- c. Sales – due to the mutual profit potential, assuming that the sales offer is tailored to suit the customer's needs.
- d. Personal, service and information – rated at the same level, and sometimes don't even make the list, due to their purely service-oriented value.

When the same customer is targeted by two campaigns in the same segment, the organization should sub-prioritize the offers (next best offer). Such processes can be activated according to a variety of relevant criteria, e.g. purchase probability, organizational strategy, customer needs' analyses, etc.

5. Conclusion

Throughout this article, we have seen that each organization must adapt its marketing communication strategies according to its measures, needs, resources and customer base. That said, there are quite a few visible similarities between all strategy plans:

- A distinction between incoming and outgoing contacts
- A distinction between referral types
- A distinction between customer types
- A distinction between communication channels
- Analysis of customer response in order to improve future offers
- Mapping and filtering
- Prioritizing offers.

All of these factors can be found in any communications strategy; however, the level of their implementation and execution varies from one organization to another.

About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

For more information, visit our website at: www.il-synergy.com, or email us at: info@il-synergy.com.