

Does Transparency to the Customer Reduce Income?

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1. Introduction

The dilemma is simple – should we expose financial information to the customer, or allow the customer to act unknowingly for as long as possible? And if we chose the former – how should we expose the information, and to which customers? This article will explain how to expose financial information to the customer, while still maintaining a good level of satisfaction and loyalty in the long term.

2. The Dilemma

Are our customers active or inactive? Are they aware of their tariffs? Are they sensitive to price? Could marketing campaigns instigate financial questions from the customers? Could pushing the financial issue raise additional questions and even cause reduced usage or churn?

These questions are raised in markets everywhere, and marketing, sales and customer service managers deal with them on a daily basis.

For instance –

- **Financial firms** wonder how many customers are aware of the losses accumulated during the current financial crisis, or how aware they are that their portfolio is exposed to a certain amount of risk. Will informing the customer of his status, continuously or via the quarterly/annual statement, create a ripple of calls and churn? Or is it the other way around, and the customers will prove to be grateful for the company's close watch over their money and it having provided them with crucial information just in time?
- **Telecom companies** are concerned about forcing financial information on the customer, without the customers having had requested such information. Will forcing this additional information decrease ARPU (average revenue per user) and increase retention calls? Should the customer's accessibility to information be limited?
- **In membership/loyalty clubs** –while establishing the club or operating it, we are confronted with the question of club credit/benefit validity: how informed should the customer be about his credit validity? Should he be informed in advance about nearing expiration dates, or should we let the credits expire without refunding the customers?

3. How Can Transparency Enhance Customer Relations?

There is one axiom here we should all agree with:

It is always better to expose financial information to the customer in a way that suits the company, than deal with customers who "discover" this information on their own.

There are several reasons for that:

- Generally speaking, maintaining active customer relations has been proven as an effective method of increasing customer satisfaction.
- Active communications will enable presenting the financial information in a manner most preferable for the company.
- Such communications will enable anticipating and preparing for all possible customer reactions, and prepare in advance good answers to the customer's questions.
- Such contacts can be used to increase the customer's share of wallet and/or revenues.

On the other hand:

- A customer who "discovers" financial information previously unknown to him feels that the company tried to hide data from him.
- The information discovered is partial and the manner of discovery is different for the way in which we would have chosen to present the information.
- The discovery creates distrust which is very hard to deal with.
- The customer may churn/decrease activity without informing the company of his dissatisfaction or the reason for the dissatisfaction, thus making it more difficult for the company to retain the customer and resolve the issue.

And another proof:

When examining the customers regularly leaving the company, the results usually show customers who are in one of the two following situations:

- Dormant customers who have committed to costly obligatory agreements (i.e. pay a lot and are unaware of that, until one day they become aware).
- New customers who were recruited during aggressive marketing campaigns (i.e. price-sensitive customers who are not inclined to be loyal to one company for long periods of time).

4. So What Do We Do? Learn To Know Our Customers!

In order to decide how transparent to be, toward which customers, how to relay the message and which reactions to expect, there are several parameters and data to weigh in the context of risk vs. opportunity:

The risk levels include parameters such as:

- Customer value:
 - Current and future customer value.
 - The level of connection between the customer and other customers (to what extent does this customer influence the decision of other customers, through social connection or ownership/influence on commercial companies).
- Churn risk: the risk levels for churn or decreased activity should be closely examined, seeing as a customer who is already at churn risk should be handled, regardless of transparency levels, and might be at churn/decreased activity risk due to the transparency issue.
- Customer strategizing level – i.e., the more valuable the customer is to the organization, the more careful the organization should be in all tactics revealing financial information, while, on the other hand, make sure not to prevent the information from the customer.

Customer retention chances includes parameters such as:

- The individual customer's past behavior:
 - Past increased/decreased use.
 - Past retention interactions and the customer's reaction to such actions.
 - How the customer reacted to exposure to financial information in the past.
- The behavior of similar customers in all the situations mentioned above.

Therefore, the bigger the chance of customer retention, the more important it is for the company to be transparent, should the exposure to financial information reduce satisfaction.

Other parameters to consider:

- What is the gap between the information the customer currently has and the actual situation?
- To what extent does the customer understand the information he has (sometimes the information provided is unclear to the customer, and there is also the concern of belated understanding and decreased satisfaction).
- Weighing the customer's levels of sensitivity to price and price volatility as studied and marked in the passed.
- What happened to our customer in the past, to cause such significant information gaps?
- What are the retention and churn rates of these customers to date?

5. Methodology

We recommend taking the following steps:

- Identify the customers who suffer from high information gaps.
- Rate the customers on both scales – the churn risk scale and the customer retention chance scale.
- Weigh in all the parameters detailed above, as well as distinctive parameters per each company.
- Determine the actions to be taken per each customer group, according to the scales decided upon.
- Thoroughly plan the work tactics, possible customer reactions, ways of coping with those reactions, sales proposals, and, of course, set goals.
- Take separate action per customer group, while monitoring the control groups.
- Measure the long term results in comparison to control groups.

6. And Finally – The Results Speak for Themselves

In companies where transparency tactics were taken in regard to all financial matters, the results were usually the following:

- In cases of significant information gaps, customers tended to contact the company and pose questions during the initial exposures to information.
- Price conscious and more financially aware customers were proven to pose more questions than unaware customers.
- In cases where efficient value proposals were presented to the customer, an elevated percentage of the interactions ended in high customer satisfaction and increased customer activity.
- In the analysis of long term affects it was found that customers who were adequately and correctly exposed to the information were loyal to the company for longer periods.

About Synergy

Synergy is a consulting company specializing in information based customer management, assisting organizations to maximize the business potential of their end customers, while providing them with tools of improving their marketing, service and retention activities.

Synergy's solutions revolve around customer management, and include Analytical CRM, Operational CRM, Loyalty and Web solutions, as well as Marketing Resource Management solutions.

Synergy was established in 2003 and operates from Israel, the UK and Poland, working with local and international organizations. Among our customers are the foremost industry leaders in the Israeli and international markets, in industries such as communications, finance and retail, among which are banks, credit card companies, insurance companies, mobile operators, internet service providers,

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