Managing the automotive marketing and sales cycle through mail: Part 3

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Abstract This report builds upon the authors' previous report on relationship marketing in the financial services industry. It is based on:

- research commissioned by the Royal Mail into the state of relationship marketing in the UK automotive industry and the use of mail in managing customer relationships
- our wider research programme in which we examine how companies in many sectors are managing customer relationships and their use of different media and systems to do so
- consulting and training engagements in the automotive industry.

The paper is published in three parts. The first part (in Vol. 8, No. 1 of the Journal) deals with the authors' research aims, methodology and findings. The findings relating to the ten automotive companies interviewed for the study are then reported in more detail. Part 1 concludes with an overview of the modelling process. Part 2 takes the examination of modelling further with a description of acquisition modelling and a time series approach to relationship marketing modelling called approach management. A discussion on how to manage the future customer concludes the second part of the paper. This third part uses relationship stage analysis to examine how mail is used in selling cars and makes recommendations for future practice.

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Table 5

Stage	Definition
Targeting	When the customer is targeted as being an appropriate customer for the company, and induced to 'join'.
Recruitment or contracting	When the customer is formally 'signed on' as a customer.
Welcoming	After the customer has joined, we must ensure that he/she is 'securely on board', eg knows who to contact if there are problems, knows how to use the product.
Getting to know	This is a crucial period, when both sides exchange information with each other. Additional customer needs may become apparent, and the customer's profile becomes better known.
Account management — retention and replacement	The relationship is now being managed securely, with the customer satisfied with the product or service, the category, the supplier's brand and any service received. Replacement within the brand looks like the best choice.
Account management — development	Additional needs are being identified in time and are being met where feasible.
Intensive care — service problem	The customer has such severe problems that special attention is needed to ensure that he/she returns safely to account management. But at this stage the customer has not taken first step in moving away.
Intensive care — customer change	The customer has changed in some way (eg family, location) and the company does not know it.
Potential divorce	The customer is so dissatisfied that divorce is imminent.
Divorce	Divorce has now taken place, and the customer will usually, after a cooling-off period, be ready for 'win-back'.
Win-back	Sometimes, the relationship ends because the product did not give value for money or disappointed in some other way, so win-back can be initiated when these issues are resolved. Win-back is hardest if divorce was due to very poor service or acute unreliability, unless competitors' performance is even worse.

USING MAIL STAGE BY STAGE IN SELLING CARS

The use of mail in managing existing customers can be planned using our relationship stage analysis, as follows:

1. targeting
2. recruitment
3. welcoming
4. getting to know
5. account management — retention, replacement and development
6. intensive care — service problems and customer change
7. pre-divorce
8. divorce
9. win-back.

These stages are described in Table 5 and the Appendix and the report also describes each stage in detail, identifying three phases of the use of mail, as follows:

- standard practice: what most companies are doing
- good practice: what a few more advanced companies are doing
- best practice: what we consider to be the best example of cost-effective use of mail.

In this analysis, we have used two sets of issues to classify our results. The first are what we call policy issues. These relationship policies cover:

- objectives during stage
- branding objectives of mail
- communications content, eg offer, pack, creative.

The second set is what we call technical issues, ie:

- length: how long does the stage

typically last (note that early stages may be completed very quickly for some customers, but may take much longer for others)

- key questions customers want answered at this stage
- key questions companies want answered at this stage
- data collection objectives
- key analyses required.

There is no implication that a company should do everything that we cover in this report. In our work in every sector, we have found that prioritisation is the key to success. For example:

- companies with very low ratios of converting test drives to sales (the later part of the recruitment process) need to focus on the in-dealer process, and possibly on the product (have they targeted the right customer for the product in the first place)
- companies with low retention rates need to focus on the account management and intensive care stages, keeping customers better informed about, and warmer towards, the company's new models.

RELATIONSHIP POLICIES

Targeting and recruitment

The objectives during this stage are to identify:

- customers approaching a buying cycle
- brands, product types and price bands that the customer is interested in
- buyer feature preferences.

The branding objectives of mail are to:

- confirm brand values for customers who have already selected the brand as eligible

- build branding of dealers.

The communications content, eg offer, pack, creative will aim to:

- (for customers already with the brand) refresh perceptions of brand, illustrate selected other products within the brand and why customers should consider them
- (for competitive customers) give a fresh angle on the brand and why they should consider it.

Standard practice is:

- large prospect file with little understood about customers, likely timing of purchases, or what is likely to influence them to consider the brand.

Good practice is:

- some segmentation of prospect file by previous response pattern or previous ownership of the brand
- some attempt to deliver dialogue programme to better prospects.

Best practice is:

- clear identification of hot prospects
- tested dialogue programme to bring them towards the brand.

Welcoming

The objectives in this stage are to:

- ensure customers are safely on board, ie know what they need to do if, for example, there are problems
- minimise as far as possible the risks of early dissatisfaction due to poor welcoming or discovery or product mismatch
- reinforce branding, mainly to confirm to the customer that their decision to

choose the brand and model was correct

- validate data used/given during targeting and recruitment
- identify timing for contacts during the relationship
- create a culture of communication between the customer and the company
- confirm readiness to move to getting to know.

The branding objectives of mail are to:

- deepen branding already achieved by the media through which the customer came to the company
- create an expectation that any communication received is the first in a series which aims to help the customer
- demonstrate a relevant range of additional products and services (but probably not too broad)
- highlight the accessibility of the brand, and the benefits to the customer of giving information
- reassure the customer of the care that will be taken over any data given, and the relevance of the uses to which those data will be put
- showcase studies of satisfied customers, to personalise the brand.

The communications content will include:

- welcoming pack that actually focuses on welcoming, ie ensuring that the customer is safely on board and gathering information needed to manage the customer safely towards account management, rather than early stage cross-selling
- branding, as the customer may have bought the brand for other reasons, eg inertia, price
- not just print, but video and audio tape, and digital/audio compact disk.

Standard practice is:

- a simple welcome pack explaining product features and benefits, not asking for a response, with additional cross-selling inserts
- no check to see if the pack is understood, or even read
- no involvement device.

Good practice is:

- a welcome pack containing explanations and cross-sell inserts, and a strong involvement device, eg video or audio cassette
- the first copy of the customer magazine.

Best practice is:

- as above, plus a response device to ask for confirmation that the pack has been read and understood
- the company asks the customer to make an activation call (so the product can be used or additional benefit achieved), in which welcoming process is quality checked and additional data are sought, or
- the company issues a questionnaire asking for additional details about the customer and their family, perhaps with a small incentive to complete it (ideally with an element of incentive, a benefit deferred until renewal where appropriate).

Getting to know the customer

The objectives during this stage are to:

- improve understanding of customers, their nature and their needs
- identify any changes in the above since recruitment
- analyse the pattern of interaction (additional purchases, responses) to

- determine appropriate future treatment, including best benefit/cost media for each customer group
- achieve early cross/up-sell (also to other family members)
- deepen the brand, maintain coherence and understanding of the brand and its benefits
- secure transition to account management.

The branding objectives are to:

- keep broadening and deepening the brand
- extend the brand to other family/business members discovered during the early stages of relationship
- gather, where questionnaire is used, more data, to show how the company is interested in the customer and keen to meet the customer's needs
- show, through the style of the questionnaire, that the company has considered how to make it easy for the customer to give data.

The communications content will include:

- an in-depth questionnaire, exploring further needs in automotive areas, as well as relationship needs, including those of other individuals, eg family, business. The questionnaire should also test the customer's awareness of other products and services, and their readiness to move to the account management stage
- carefully targeted cross-selling and up-selling, based on data given in recruitment/welcoming questionnaires and on customer-profiling.

Standard practice is:

- little recognition that this stage exists, most companies assume a

smooth transition from welcoming to account management, ie that a simple welcoming programme is enough to secure the customer forever

- standard mailings and inserts driven by product events, with relatively low response rates and little understanding of what determines which customers respond, and why they respond
- untargeted cross-selling
- little recognition of customer events (or indeed gathering of relevant customer data).

Good practice is:

- second questionnaire to identify in-depth needs and any issues connected with the product, service or company
- second contacts triggered by timing identified in welcoming, and not just by product timing
- broadly targeted cross-selling.

Best practice is:

- analysis of all data (particularly response, transaction and customer data) to identify opportunities
- closely targeted cross-selling
- retention risks identified and relevant information sent to customers to reinforce branding/benefits.

Account management — retention and development

The objectives during this stage are to:

- retain the customer and their family as long as they are profitable or are likely to be so in the future
- develop loyalty and recommendation
- up-sell and cross-sell
- retain customers in this stage for the life of the product, and then transfer

- the customer to other appropriate products or re-sell the same product
- keep view of customer updated, by staying in touch with the customer to facilitate giving of data
- keep the customer informed of new developments by the supplier
- remind the customer of features, advantages and benefits of doing business with the supplier
- reinforce branding
- achieve the right long-term balance between costs and benefits for both parties, eg channels, streaming for managing customers in different value categories, identification of micro-segments for different offers
- agree longer-term life-stage management process with customer
- optimise contact media
- explore options of communicating with the customer through new media.

The branding objectives are to:

- maintain breadth and depth of the brand, especially as the family/business changes over time
- use questionnaires to demonstrate continuing interest in the customer
- ensure that the continued relevance of the offer is demonstrated to customers.

The communications content will include:

- targeted cross-selling and up-selling offers, with clear benefit to customers of deepening the existing relationship
- continued reminders of the benefits of the brand and product
- regular questionnaires to detect key changes on the customer's side (needs and their causes).

Standard practice is:

- basic customer databases

- broad mailing programmes
- poor integration between mail and other media.

Good practice is:

- customer base segmentation by value and responsiveness, and standard mailings to each segment
- occasional questionnaires, but not as structured dialogue
- newsletter experimented with, but effect on increasing customer value not understood
- integration between mail and other media now partly understood and actioned.

Best practice is:

- customer-event-driven mailing programmes (eg life-stage)
- regular questionnaires
- segmented newsletters, with the effect on improving customer value and retention properly tested through use of control group(s)
- strong integration between mail and other media, joint effects understood and programmes managed in integrated way.

Intensive care — service problems and customer change

The objectives during this stage are to:

- make it easy for the customer to signal changes in needs that make product unsuitable
- maintain approachability of brand, so that the customer does not see the product being unsuitable as reason to move away from company, but as reason to approach it to move to different product next time
- achieve cost-effective and accurate

- re-diagnosis of the customer's need
- help the customer move to a more suitable product
- identify patterns of change, to allow likely move into intensive care to be predicted
- make it easy for customers to signal problems, ie their nature and their precise requirements for resolution
- achieve cost-effective resolution
- identify patterns in problems and prevent recurrence
- reassure customers that past problems are recognised and that they affect the way current problems are handled
- secure a rapid return to account management, focused on higher predicted value customers where appropriate.

The branding objectives of mail are to:

- ensure that outbound messages take into account indicators of intensive care, because ignoring them will weaken the brand
- continue to reinforce the benefits of the brand, particularly those aspects which seem not to have been well communicated to the customer.

The communications content will include:

- (if complaint) apologies, explanation and compensation, where appropriate
- (if product deemed unsuitable because of customer need change) an offer to migrate to more suitable product with appropriate incentive.

Standard practice is:

- stage not normally recognised, the customer readjusts the portfolio or moves straight to pre-divorce

- customer service questionnaires analysed for general issues, but it is impossible to identify customers with specific problems as questionnaires are conducted by market research and not database departments, so customers are not individually identifiable at this stage.

Good practice is:

- stage recognised implicitly but not explicitly
- regular customer questionnaires aim to pick up signs
- questionnaires are sent by the database department, so customers with problems are identifiable
- regular tracking of customer perceptions of each interaction helps pick up signs of problems
- professional complaints management process, with rapid bounce-back of mail acknowledgment.

Best practice is:

- stage recognised explicitly
- regular customer tracking of named individuals has the main task of identifying customers at this stage
- strong emphasis in call centres on likely existence of this stage and training in how to handle it
- mail packs developed to bounce back to customers in this situation
- win-back/retention team call centre and mail process deployed at this stage rather than later.

Pre-divorce

The objectives during this stage are to:

- identify customers who have decided to leave
- gather any information about why customers decide to leave that was

not collected during the intensive care stage, and also about their feelings about the process of leaving

- re-orient or reschedule communication to prevent recurrence of this stage for this customer (media used, frequency of contact, segment customer is managed in).

The branding objectives are to:

- continue to reinforce the benefits of the brand, particularly those aspects which seem not to have been well communicated to the customer.

The communications content will include:

- as per intensive care, but with incentives to the customer to communicate alternatives being considered.

Standard practice is:

- nothing done — this stage not recognised or identified.

Good practice is:

- questionnaire analysis to identify possible losses and reasons why and mailpack to reinforce brand and offer different product options
- no change to communication stream, ie the customer is treated as if immediately returned to normal account management.

Best practice is:

- customers placed in re-welcoming and getting to know treatment
- special stream with 'intensive care' philosophy.

Divorce and win-back

The objectives during this stage are to:

- identify that the customer has in fact left (not always self-evident)
- identify whether the customer has switched or has bought a used car
- identify reason for leaving, and whether it was due to brand, product, service or other reasons
- identify whether the situation is remediable, and if so how
- apologise for reasons for leaving, if due to supplier failure of any kind.

The branding objective is to:

- maintain the brand for those customers who can be won back.

The communications content will include:

- a letter of regret, with a win-back offer
- a 'sign-off' questionnaire.

Standard practice is:

- often not sure if the customer has gone, so
- keep contacting customers until well after they consider themselves to be divorced.

Good practice is:

- clear indicators that divorce has taken place
- but no clear strategy for predicting optimum time for re-contact, so simple replacement in the prospect pool.

Best practice is:

- clear indicators of divorce and of propensity to re-buy from supplier
- questionnaires to identify precise reasons for divorce and to collect data

- indicating propensity to re-buy
- planned contact stream by mail and telephone for customers indicated as likely good prospects for win-back.

TECHNICAL ISSUES

Targeting and recruitment

The length of stage is:

- up to three years or normal replacement cycle length.

Key questions customers want answered at this stage are:

- is the brand/model/variant right for me, ie in terms of reliability, image, etc.
- how can I get more information
- how can I give more information
- how easy is the company to deal with
- where can I see/test drive the product
- where can I get a good deal on the product, finance etc?

Key questions companies want answered at this stage are:

- is the customer a hot prospect or not
- how would the customer like to be managed?

Data collection objectives are:

- family/business details
- willingness and ability to pay
- brand/model being replaced or considered
- feature requirements
- dealer preferences.

A key analysis required is:

- propensity modelling.

Welcoming

The length of stage is:

- typically, first few months after sale.

Key questions customers want answered at this stage are:

- have I bought the right car
- what does the guarantee/warranty cover
- did I make the right choice in terms of price, features etc.
- what do I do if I am not happy with the choice I made
- who do I write to, call or e-mail
- can I do all the things I chose this product to allow me to do?

Key questions companies want answered at this stage are:

- is the customer safely on-board
- can I immediately cross-sell anything
- have I understood the basics of the client's family or business situation, and can I see any additional opportunities arising from this
- am I handling this stage in the most cost-effective way possible
- are my customers satisfied with their treatment in this stage
- have I reinforced my branding in this stage
- when is this customer ready for the next stage
- have I identified by which media this customer would prefer to be contacted or to contact me and how frequently?

Data collection objectives (where not already collected during targeting or recruitment) are:

- the identity of other family members and their needs, purchase plans ...
- preferred contact media and frequencies

- qualitative data on how customers perceive this stage is managed (eg via customer service questionnaire and text mining of complaints).

Key analyses required are:

- newly collected data by customer and product type, to refine opportunity analysis
- communication streaming.

Getting to know

The length of stage is:

- typically, at least as long as the welcoming stage. It must include first service.

Key questions customers want answered at this stage are:

- is the company keeping in touch with me as problems emerge or as my needs change
- does the company allow me to tell them about problems or changes in my needs
- does the company know and understand my priorities
- is the company using data I have given previously to make relevant offers to me
- is the company asking me for data that I have already given them
- when I contact the company, am I recognised
- does the company value my business
- does the company want more of my business
- if so, is it prepared to make me any special offer?

Key questions companies want answered at this stage are:

- do I know what additional data this

customer is prepared to give to help them meet their needs and to help me identify their additional potential

- do I know by which medium this customer would most like to give this information? Have I given this customer the choice
- what are the customer's response patterns and what do they tell me about this customer's additional potential, retention prospects and financial risks
- am I handling this stage in the most cost-effective way possible
- are my customers satisfied with their treatment in this stage
- have I reinforced my branding in this stage
- when is this customer ready for the next stage?

Data collection objectives are:

- depending on the length of this stage, reconfirmation of data given during welcoming
- qualitative data on how customer perceives this stage is managed (eg via customer service questionnaire and text mining of complaints).

Key analyses required are:

- identification of additional sales opportunities
- identification of which contact media are most cost effective.

Account management — retention and development

The length of stage is:

- normally, until just before replacement.

Key questions customers want answered at this stage are:

- is the company keeping in touch with me as problems emerge or as my needs change
- does the company allow me to tell them about problems or changes in my needs
- does the company know and understand my priorities
- is the company using data I have given previously to make relevant offers to me
- is the company asking me for data that I have already given them
- when I contact the company, am I recognised
- when I contact the company, does it respond quickly, in the way that I want
- does the company value my business
- does the company want more of my business
- if so, is it prepared to make me any special offer
- as I, my family and my needs change, does the company monitor these changes in any way
- does the company help me manage my long-term financial future?

Key questions companies want answered at this stage are:

- is the customer satisfied with every aspect of my dealings? If not, which aspects are causing dissatisfaction and how important are they to the customer
- have I understood the most important opportunities presented by this customer, ie individual, family, business, whether as buyer or recommender, and am I managing them to the satisfaction of this customer
- is this customer profitable or not? Was he or she ever profitable, and will he or she be? If not currently profitable,

how can I restore profitability (this question might be asked by customer group, of course)

- am I handling this stage in the most cost-effective way possible? In particular, have I got the right balance between communication, response, revenue and profitability
- are my customers satisfied with their treatment in this stage
- have I reinforced my branding in this stage
- when is this customer ready for the next stage?

Data collection objectives are:

- contact, response and additional purchasing patterns
- changes on customer side, ie family size, income, location, etc.

Key analyses required are:

- additional potential for up-selling
- changes to likely replacement date, product type, brand etc.

Intensive care — service problems and customer change

The length of stage:

- in customers' minds this may last for months, but the supplier might miss it completely as customer apparently goes straight to divorce
- in practice, the length of the stage often increases the longer the relationship has lasted, ie customers are slower to switch from suppliers they have used for a longer time.

Key questions customers want answered at this stage are:

- does the company recognise that my situation has changed

- has it offered me a way to deal with this that makes sense to me
- how will it benefit me to stay with the company, as opposed to switching
- what should I do to ensure I get the best deal out of the company when I switch
- does the company recognise that I have a problem, and how serious it is
- is the company responding quickly and seriously to my problem
- how does the company's performance in resolving my problem compare with what they promised me, with my last experience of it, and with what I and my friends experience from other companies?

Key questions companies want answered at this stage are:

- do I know whether this customer is in account management or intensive care
- if in intensive care, what are the general and detailed reasons (need change or service problem)
- is my process for changing my dialogue with this customer understood by the customer
- am I handling this stage in the most cost-effective way possible? In particular, have I identified the probability that this customer will be saved
- are my customers satisfied with their treatment in this stage
- have I reinforced my branding in this stage? In particular, will the probable intensification of dialogue with the customer be seen as too little, too late
- when is this customer ready for the next stage?

Data collection objectives are:

- nature of change in customer, needs etc.
- text of complaints.

Key analyses required are:

- predictive profiling of customers likely to show persistence problems
- categorisation of complaints
- text mining to identify overt and hidden issues.

Pre-divorce

The length of stage:

- may be almost instantaneous, but can also last six months to a year.

Key questions customers want answered at this stage are:

- what do I do if I am keen to leave – to whom do I write, where do I call
- has the company made it easy for me to know what to do?

Key questions companies want answered at this stage are:

- have I identified the key indicators for this stage
- do I collect these indicators from this customer
- do I know that the customer has moved into this stage
- if I deployed retention activity in intensive care (if I caught the customer at this stage), why did it fail
- am I handling this stage in the most cost-effective way possible
- are my customers satisfied with their treatment in this stage
- have I reinforced my branding in this stage
- when is this customer ready for the next stage?

Data collection objectives are:

- as per intensive care.

Key analyses required are:

- what customer retention strategies work at this stage
- can I gain additional clues at this stage as to whether the customer is worth saving?

Divorce and win-back

The length of stage:

- this is state of not buying, so it might last forever
- however, experience has shown that customers who divorce for reasons other than extreme service dissatisfaction can be won back after a period, the length of which needs to be tested
- the minimum period for this is determined partly by the replacement cycle.

Key questions customers want answered at this stage are:

- why did they let me go (so easily)
- why do they keep harassing me with irrelevant details
- is it worth my while staying in touch with this supplier
- is it sensible to try this supplier again
- does this supplier have any products which might ever interest me?

Key questions companies want answered at this stage are:

- has this customer actually left (in their mind) or am I still in their portfolio of possibilities
- should I place this customer back in my prospect pool
- am I handling this stage in the most cost-effective way possible
- are my customers satisfied with their treatment in this stage? Have I

understood how this customer felt about the entire process of divorce and how I handled it

- have I reinforced my branding in this stage? In particular, does this customer think more or less of me because of the process of leaving
- when is this customer ready for the next stage?

Data collection objective is:

- absence of renewal.

Key analyses required are:

- any departures from the transaction pattern
- response propensities
- identify whether it is worth replacing the customer in the win-back pool.

RECOMMENDATIONS

Following this research, our observations and recommendations are:

- from the sample interviewed, it would appear that many manufacturers in the automotive sector have not fully developed their customer relationship management (CRM) policies. Best practice is not diffuse
- the role of mail in the CRM model should be highlighted to manufacturers
- even where the principles of CRM are understood, with a small number of notable exceptions, many manufacturers are having difficulties in implementing the necessary procedures and practices. For example, customer databases may exist but these are not operationalised effectively. There are serious weaknesses in current channel management

- the potential of mail as both an isolated tool and as a support tool for a range of CRM actions must be made more widely known. Some negative perceptions relating to high price and inflexibility need to be corrected
- the potential impact of mail as an essentially passive medium needs to be repositioned. The non-intrusive aspects of mail in a personalised sense need to be emphasised more strongly, especially in relation to effective impact
- manufacturers do not seem to be exploiting to the full the capabilities of modern print technology to produce customised, fast-response mailing pieces. Greater awareness needs to be created in this area
- there is probably an opportunity for partnering with manufacturers to address some of the problems they experience at the dealer level and with hidden or lost customers such as families or fleet drivers
- a presentation package to communicate the position on many of these issues could be created for industry sales personnel. In essence, the problem is that manufacturers in general and dealers to a lesser extent have huge amounts of data which they cannot use effectively. In particular, they do not know how to engage the customer in dialogue at the right time so as to match total product (finance and vehicle) to needs
- most companies would benefit from a fresh policy review of CRM issues. A series of workshops to encourage debate between manufacturers and dealers, most of whom share common marketing problems in these areas, could be put together to examine manufacturer roles and dealer roles in the face of industry changes. This could also consider issues of data capture (in service and warranty areas) for CRM purposes.

Appendix Relationship stages

Stage	Definition	Examples of key capabilities and enablers required	Typical problems and opportunities
Targeting	When the customer is targeted as being an appropriate customer for the company, and induced to 'join'	Understanding of competitor targeting Identification of targeting criteria Understanding and identification of customer/potential needs and life-stage Identification of targeting approach Development of approach/campaign Coordination with other products Carrying out targeting Monitoring and learning	Targeting is not precise enough. Therefore, if the company tries to cross-sell to all its existing customers, irrespective of their suitability, cross-selling can be a loss-making activity. Very large numbers of customers are targeted, using a variety of approaches — direct mail, off the page, television. This leads to overlapping coverage and wasted promotional budgets. At worst, if the activities of different product managers are not coordinated, the same person may be targeted for several different products at the same time, with the same names being rented more than once. Often, though the company believes that the customer has signed on, all that has happened is that documentation has been sent. This leads to 'not taken up' situations. Even if the customer has contracted by signing, if he/she discovers that the policy is not quite what it was perceived to be, early cancellation can result. This is common in healthcare policies.
Recruitment or contracting	When the customer is formally 'signed on' as a customer	Handling customer response Discussing and agreeing product/servicing offer Ensuring quick receipt of documentation Ensuring customer signs or following up if necessary for later signing Reviewing targeting in line with response activity Accepting customer payment	This is often very short, yet often when a customer has problems or makes a claim, they do not know whom to call or what to do.
Welcoming	After the customer has joined, depending on the complexity of the product, the company must ensure that he/she is 'securely on board'	Welcoming customer to the company Welcoming customer to the product Delivering contract and clarification of details (eg customer services) Delivering differentiated contact	For decisions involving significant outlays, customers may need to be reassured that they have made the correct decision, and given the opportunity to say whether they felt they could have been handled better during the buying cycle. Many companies assume that this stage does not exist, and that their customers go straight into a mature state of account management. Yet, taking the example of financial services, the early cancellation that applies to many types of insurance policy and loans indicates that this is clearly not so. We cannot expect that no customers will cancel early, but we can expect to be able, through data analysis, to identify customers most likely to, and implement preventative action. Experience in insurance and banking shows that if we try, we will have some success.
Getting to know	This is a crucial period, when both sides exchange information with each other. Additional customer needs may become apparent, and the customer's profile of use of the product or service becomes known. More is also learnt about the customer's honesty, ability to pay, etc.	Analysing of customer types (eg propensities to lapse) Receiving and analysing information given by customer Following-up contact, ie to fill in the gaps, substantiate propensities, identify needs, identify satisfaction	Analysis from other industries with long-term relationships with customers indicates that communications behaviour, brand attitudes and satisfaction with the category are good predictors of loyalty, and these can be formed quite early on in the relationship, eg if they respond to communications, rate the brand highly and are satisfied with how the supplier has arranged their portfolio of financial services, then they will be more likely to stay with the supplier.

Appendix — continued

Account management — retention	The relationship is now being managed securely, with the customer satisfied with the product or service, the category, the supplier's brand and any service received	Delivering communication programme (eg magazine) Managing inbound management process (eg enquiries, complaints) Managing feedback process — linking into other stages	This is the ideal state, though quite a few customers never reach it, and often dip into the next stage or remain in the previous stage for a long time. This is best detected by short questionnaires which can be administered by mail, telephone or by sales staff.
Account management — development	Additional needs are being identified in time and met where feasible	Identifying additional needs Moving customer into 'targeting' for other products or services	The customer is treated only as a customer for the original product. Additional needs are identified by other suppliers, who thereby gain a foothold, which they may use to cross-sell and destroy the original relationship. Many customers resist this approach, however. They are portfolio buyers, and do not want to buy additional products from the original company. But neither is the original relationship at risk if they decide to buy other categories of product.
Intensive care — service problem	The customer has such severe problems that special attention is needed to ensure that he/she returns safely to account management. But at this stage the customer has not taken the first step in moving away	Receiving/identifying signals, eg complaint Having process in place to manage each Removing customer from communications, or sending different communications Following-up communications Reviewing service/products	This stage is defined in terms of what the supplier should do, but of course the need for it is often missed and the customer goes straight into pre-divorce, eg after a mishandled claim or a change in customer's need which remains undetected.
Intensive care — customer change	The customer has changed in some way (eg family, location) and the company does not know it	Having mechanism to motivate customer to notify changes and to accept data on changes	This can prompt the customer to move away from the supplier for various reasons, from simply losing touch, to not identifying that the current product no longer satisfies the category needs of the customer.
Potential divorce	The customer is so dissatisfied that divorce is imminent	Identifying/receiving signals, eg paid-up value requested Having process in place to manage each Having staff with right skills to manage Suggesting alternatives Noting feedback Reviewing services, products, offers	Companies often fail to recognise that this is happening. Surprisingly, many insurers give up here and even pride themselves that they make it easy for customers to cancel. In one case, significant proportions of customers were surprised that their supplier made no attempt to persuade them not to cancel.

Appendix — continued

Divorce	Divorce has now taken place, and the customer will usually, after a cooling-off period, be ready for 'win-back'	Identifying reason Ensuring customer status known throughout organisation Identifying follow-up actions Triggering/stopping communication Identifying life-stage event/risk	If the reason for termination was a change in circumstances, then the brand loyalty may be intact, and in some cases enhanced if the supplier made termination easy. Research for some financial service suppliers shows that customers remain receptive, provided they do not feel they were oversold in the first place or did not leave because of poor service. Of course, the termination may be encouraged by the supplier because the customer has been identified as being high risk! The targeting of win-back campaigns is made difficult because many companies are poor at defining and identifying lost customers and because they have no reliable customer database. In other cases, the costs of winning back customers are seen to be too high relative to the costs of selling to new customers. Customers who leave may, however, also recommend leaving to other customers, and so represent a marketing risk.
Win-back	Sometimes the relationship ends due to high price or because the wrong product was sold, so win-back can be initiated when these issues are resolved. Win-back is hardest if divorce was due to very poor service, unless competitors' service is even worse	Identifying and analysing potential win-back opportunities Triggering communication Ensuring what customer is offered for matches reason for leaving Identifying customer as risk and deselected for win-back	