Original Article

Simple strategies to win and keep customers profitably

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ABSTRACT This article draws upon the research and consulting carried out by the authors over the past two decades, to produce a straightforward categorisation of the main customer strategies available to companies, and suggests a simple approach to prioritising them.

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INTRODUCTION

Customer management, also known as customer relationship management, has evolved rapidly in 25 years. It started as a combination of database/direct marketing, account management and customer service, but it is now a broad and deep discipline – covering a range of topics from customer interaction systems and the databases that support them through customer experience management to advanced quasi-psychological approaches. Much academic research into the area has focused on customers' willingness to form relationships with suppliers and the latter's attempts to create relationships and exploit them for the purposes of retaining customers, selling more to them and generating more profit from them. However, we believe that most academic and much practical writing

about customer management is relatively weakly connected with thinking about marketing strategy. Examples of poorly integrated marketing thinking include the following:

- The assumption that customer retention is always a higher priority than customer acquisition.
- The assumption that most customers in most markets are happy to form relationships with brands or companies.
- Misguided attempts to create relationships with and/or loyalty by customers who resist the attempt.
- Over-optimistic forecasts of cross-selling ratios simply because the customer already buys a company's product.
- Over-investment in achieving high levels of service for customers of little value.

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- Over-promotion to acquire new customers to achieve customer number targets, when the quality of customers being acquired is not good.
- Acquiring customers and then neglecting them at the critical early stage of the relationship.
- The independent allocation of acquisition (win), retention (keep) and development budgets.

THE IMPORTANCE OF CLARITY AND SIMPLICITY

Put simply, many companies don't see the wood for the trees. They over-engineer the details of their customer management, without getting their strategies right. Others are at the other end of the spectrum – they either have no customer management strategy or have too many. Our view, based on our commercial practice and our research, is that companies that perform best in customer management understand that there are four interlocking strategies and 16 supporting sub-strategies for improving customer management – though they may not articulate them exactly as we do. The importance of these strategies to a particular company depends on factors such as market position, performance, ambition and attitude to risk. This article briefly explains the strategies and gives examples of how they can be deployed.

THE FOUR STRATEGIES

The strategies are as follows:

1. *Winning customers*: customer acquisition and activation
2. *Keeping customers*: customer retention and maintenance
3. *Developing customers*: customer penetration/ share of wallet, improving the gross value produced by customers
4. *Efficiency in customer management*: reducing cost and increasing yield

These are illustrated in Figure 1. The strategies are described in the tables, together with sub-strategies and example programmes and activities.

1 *Winning customers*

This focuses on building and activating the customer base and winning back valuable leavers. These are shown in Table 1.

2 *Keeping customers*

This focuses on reducing customer attrition and retaining their value. The four main sub-strategies for achieving this are shown in Table 2.

3 *Developing customers*

This focuses on getting increased value from all customers. The four main sub-strategies for achieving this are shown in Table 3.

4 *Efficiency in customer management (reduce cost and increase yield)*

This focuses on reducing the costs of customer management relative to revenue. The three main sub-strategies for this are shown in Table 4.

WHICH OF THE 16 STRATEGIES IS RIGHT FOR YOU?

Which combination of these strategies is the 'right' one depends on various factors. One of the most important is the model of customer management chosen by the company. This is defined broadly as the way in which a company manages and is managed by its customers, in terms of the frequency, content, value and significance of interaction between the two, how these are triggered, how they are linked with each other, and how they develop over time. A model usually involves commitment to doing business in a particular way, that is with particular systems and processes and ways of managing

Figure 1: Summary of customer strategies.

people. It may even determine products and propositions.

Readers sometimes have difficulty grasping the meaning of the term 'model', so here are two examples:

- Business flyers can be managed either by the frequent flyer model, typically used by scheduled airlines, involving a frequent flyer scheme and service differentiation based upon tier of membership, itself determined by past flying patterns, or by the low-cost airline model based upon pure willingness to pay (whether for the flight, for early boarding or for extra luggage) and ability to book early.
- Large industrial customers can be managed either by key account management, with a high level of pre- and post-sales service and tailoring of propositions to the needs of individual clients, or by web-based

selling using willingness to pay or even auctioning.

No one model of customer management works in every market, or for particular customer, or even for particular transaction types. Which model is optimal depends upon a range of variables, which are of course interdependent. This topic will be the subject of another article in our series.

PRIORITISATION

Our benchmarking shows that two factors underlie successful customer management:

- A clear focus on customer management at senior level – its rationale, objectives and implications for the company.

Table 1: Strategies for winning customers

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Increase customer numbers (ie QUANTITY)	<p>Increase advertising spend in targeted media</p> <p>Use affiliate/price comparison sites and affinity marketing</p> <p>Increase prospect engagement activity (eg content-driven social media)</p> <p>Understand why prospects did not buy</p> <p>Implement member get member programmes</p> <p>Market to influencers</p> <p>Extend product range to attract new customers</p>	<p>A large European bank could 'turn on the TV tap' if it wanted to acquire new account holders, noticing a clear correlation between targeted TV advertising spend and customer acquisition</p> <p>Premium sector motor manufacturers launch smaller models to extend brand reach downwards and penetrate new markets (mass market – new for them), thereby increasing customer numbers and building potential base for customer development, retention and up-sell</p> <p>A manufacturer of baby-care products used a branded social media platform (Facebook) to reach mothers via advice and discussion forums targeted at pregnant women and new mothers</p>
Improve the QUALITY of new customers you win	<p>Profile best customers and understand how they were recruited and use learnings to target new recruitment</p> <p>Improve targeting of member get member and advocacy programmes based on profiles of high value customers</p> <p>Improve targeting away from price-oriented mechanisms and reduce 'free gift promotions' or change rules</p> <p>Increase engagement activity in quality markets (eg content-driven social media, word of mouth from best customers)</p> <p>Develop a branded 'premium' customer experience, with consistent delivery of a planned and managed reputation that is attractive to high quality prospects</p> <p>Focus sales force on highest quality prospects</p>	<p>A supplier of heating oil and gas to consumers and small businesses had a real issue with customers calling them and all their competitors using 'yellow pages' or the equivalent, and buying on price. The cost to set up a customer was high, but customers rarely came back unless the price was lowest. A change in strategy towards targeted direct marketing and an advocacy programme yielded a smaller number of higher value customers</p> <p>A general insurance provider knew precisely its top business to business prospects and focused their marketing and sales on them</p> <p>A distributor of office products analysed its acquisitions and realised that a large percentage of the new customers bought very little despite on-going (and costly) communications. They reduced sales promotions and focused on higher potential prospects</p>
Improve the 'activation' rate (or second order; or product use)	<p>Engineer a very positive first experience</p> <p>Profile new customers on first order and segment into a streamed 'welcome' programme</p> <p>Develop interactions and promotions to create involvement to encourage second orders</p>	<p>A direct supplier of office goods noticed that 50% of all new customers only ordered once. Research showed many of these orders were distress purchases from competitors' loyal customers. New customers were qualified with a very 'involving' 'welcome programme, lasting up to 3 months. Second order rate rose from 50% to 61%</p> <p>A welcome programme in a mail order company led to 20% of customers placing a second order compared with only 7% who were not in the welcome programme</p> <p>Collectibles company developed an early portfolio offer and increased second order purchase by 400% in first 3 months</p>
Increase win-back of lost customers	<p>If high value customers leave, manage their exit well, facilitating their return</p> <p>Develop propositions that rectify reasons for loss and communicate this to those lost customers you want to win back</p> <p>Keep in touch with lost customers and keep their data, making it easy for them to return</p> <p>Welcome lost customers back</p>	<p>A cable TV provider identified that many customers were lost when they moved home because the moving process was not managed. They contacted those who had been lost with a special re-subscription offer</p> <p>A retail/mail order company found that 24% of customers did not consider themselves lost; they had just forgotten about buying owing to lack of contact. Increased communications led to many customers re-ordering</p>

- Customer management change programmes focused on outcomes, measured in a customer profit and loss account.

These two points are related. On the issue of focus, analysis of the company's performance in each of the 16 strategies

above, a comparison of performance in these strategies against other companies (if you can get it) and the use of a relatively straightforward prioritisation process involving several or all of the points below, will identify typically 3–7 sub-strategies of real value. The details of these can be worked up in a very short time,

Table 2: Strategies for keeping customers

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Acquisition, retention and development of high value customers (the icing on the cake)	<p>Carry out periodic full customer reviews – structured processes designed to deep dive into a customer's satisfaction, engagement and future needs (part of a world class Key Account Management (KAM) process)</p> <p>Collaborate and partner (eg price hedging, shared risk, shared IT (eg e-commerce), co-created service/product design, joint marketing) with best customers</p> <p>Focus on areas of service that high transacting customers request or use most, providing streamlined processes, faster transaction times, more convenience</p> <p>Offer experiential events, high engagement/involvement proposition, rewards and recognition for loyalty</p> <p>Introduce mechanisms to 'lock-in' key customer, eg on-site service staff for equipment or to support processes</p> <p>Ensure workflows are in place to continually gather data from high value customers, store and manage it and derive actionable insight from it</p>	<p>Motor manufacturers provide high perceived value opportunities (eg, trial days, factory tours) to targeted new vehicle purchasers</p> <p>A retail bank identifies its high value customers and organises a number of invitation – only loyalty events for them, and a named 'manager' to help the customer navigate the bank's processes when required</p> <p>A B2B service company re-introduced direct mailing to high value customers (replacing over-used email!)</p> <p>A charge card provider launched a new card linked to an airline 'air miles' scheme. Applicants who were already recognised by the airline as high value customers received a hand delivered presentation box with the new card nestling among champagne bottles and glasses</p> <p>Many airlines and hotels have identified that their most valuable customers are receptive to small, low cost service improvements and have developed 'small touches', involving occasional upgrades where higher quality capacity is available, and additional relevant communications or service privileges</p>
Retention of the marzipan layer (the layer just under the 'icing', the high value customers)	<p>Get the basics right! Whatever you do with customers, do the basics brilliantly</p> <p>Employee engagement, especially at touch-points (eg contact centre, retail network, service team) and third-party suppliers' engagement</p> <p>Excellent complaints management</p> <p>Improve service strategy (eg integrate social media)</p> <p>Develop rewards and recognition for loyalty</p> <p>Don't make it easy for good customers to leave – introduce loss teams – if customers express desire to go, don't just say 'yes', try to hold onto the best ones</p>	<p>A retailer identified from its loyalty programme data that these customers accounted for a high proportion of sales, and reminded them when their purchasing volume dipped, providing incentives to them to increase it to 'normal' levels</p> <p>A soft drink manufacturer learnt from a 15-month programme engaging confectioners, tobacconists and newsagents (CTNs) and researching both sales and engagement during the pilot, that high value CTNs did not shift behaviour much because they were often tied into group merchandising approaches, but the layer under this, the marzipan layer, who were more autonomous, shifted both engagement and sales significantly</p> <p>Starbucks and Prêt-à-Manger have very public, fun and effective 'dissatisfaction capture' processes in all their stores, and very effective management processes and workflows to back it up with real action and good communication</p>

Table 2: *Continued*

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Reduce attrition across the mass of profitable customers	<p>Understand customer satisfaction, engagement and needs and then prioritise activities to develop a high impact/low cost engagement programme</p> <p>Encourage customers to switch to rolling direct debit, which eliminates one barrier to renewal (ie decision to pay/renew)</p> <p>Get-to-know programme – identify customers with medium-low potential</p> <p>Identify and improve those service issues that cause ‘discontent’</p> <p>‘Listen and monitor’ relevant contact centre calls and social networking sites and develop action-oriented workflows to respond to issues as they arise</p> <p>Redefine customer experience and ensure basics are done brilliantly and that there are planned magic moments to differentiate and bring brand to life</p> <p>Integrate the silos – get marketing/sales/service and ops to present a united face and apply LEAN thinking to the customer management processes – strip out cost and ensure that the customers interact with your organisation in the most effective/efficient way possible</p>	<p>A subscription-based business magazine after 9 months offers new subscribers a 20% discount on current rates to extend subscription to 2 full years</p> <p>To tie in ‘nearly’ regular customers, a supermarket delivery service designed a discounted ‘annual delivery pass’ to remove the barrier of a delivery fee from ordering goods more often</p> <p>A cable TV company identified that home moving was a key reason for loss and developed a special home moving package and deployed a special contact call centre team to manage all customers who said they were moving home</p> <p>Global Automotive distributor CE programme – key process Moments of Trust (sic – their words) identified and measured and real Magic Moments initiated</p> <p>An insurer defined its desired customer experience and then implemented policies to achieve it using LEAN principles – moved from third to second in market share in 3 years</p> <p>A bank identified that customers going through divorce often left, because the bank’s reaction to impending divorce was to freeze accounts rather than help both partners through financial separation. It developed a proposition for divorcing customers and this led to improved retention</p>
Reduce value decay (groups of customers who decrease their buying amount from the company, but do not stop completely)	<p>Create regular interactions to engage and keep in front of customers’ minds</p> <p>Identify reasons for decay and remove them</p> <p>Create date, event, transaction triggers to prompt contact</p> <p>Introduce renewal offers to prevent customers unsubscribing</p> <p>Implement customer life cycle management to prevent customers reducing value when they move on to the next stage in their life cycle (eg student to young worker; house move, retirement, second office)</p> <p>Carry out periodic customer reviews, in structured processes designed to deep dive into customer’s satisfaction, engagement and future needs</p>	<p>A direct and retail wine company captures all personal details of customers and offers targeted discounts to encourage ‘return’ if they have not re-ordered after 3 months</p> <p>An office supplies company selling to high value consumers and small businesses have a sophisticated order pattern analysis algorithm, which predicts behaviour and prompts a sales follow-up (via the appropriate channel) very soon after an order is missed. This is seen as a value-added service by many customers!</p> <p>Utility companies offer a ‘home move’ concierge service to ensure utility contracts are continued in both houses</p>

using focused, collaborative design teams, including customers where appropriate. The plans can be constructed to deliver against defined and specific financial outcomes.

Each of the 16 strategies should have a business outcome related to its impact on the profit and loss. They can all affect either gross margin (typically revenue minus discounts, costs of goods sold and cost of

Table 3: Strategies for developing customers

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Manage up the 'tail' (increase the value of those low value customers with higher potential)	<p>Develop future value propensity models to understand potential value in customers</p> <p>Understand engagement (emotional loyalty to you or competitors) versus functional barriers (your price, product availability, packaging, flavour) and remove them</p> <p>Create more involvement and engagement mechanisms (using social channels where appropriate)</p> <p>Identify low profit and bad customers (eg frequent inappropriate complainers; only buy special offers) and discontinue policies that allow them to stay with you unprofitably</p>	<p>A large building society had a Pareto-like spread of customer margin (73% of margin from 27% of customers). They ran a propensity model to identify 'underperforming' customers both in the lower and higher deciles</p> <p>Motor dealers introduce low cost servicing plans for older vehicles to retain relationships with second tier customer base and introduce them to the replacement cycle chain.</p> <p>Motor manufacturers actively manage fleet and demonstrator vehicle cycles to maintain the flow of nearly new vehicles and hence build brand loyalty plus up-sell opportunities</p> <p>A charity recognised that any donor, even seeming low value ones, have a high propensity to leave a legacy in their will, so they developed a legacy strategy to target existing but infrequent or low value donors</p> <p>A railway company identified that many customers were complaining about trains being late in order to get compensation. The company matched complaints with arrival records to show that these customers were not complaining legitimately and told these customers now had the data to match complaints and arrival times. This stopped the complaints and reduced service costs.</p> <p>A cable TV company identified that customers who genuinely wanted to stay but were having financial difficulties were being confused with customers who had no intention of leaving but threatened to do so in order to get a discount. It greatly reduced the availability of price-based incentives to stay, instead giving customers the opportunity to reduce their total communications budget by taking additional products and services from the company. Customers who were used to asking for discounts stopped doing so as they knew the discounts were no longer available, while customers who genuinely wanted to stay but were having financial issues now tended to stay</p>
Improve cross-selling rates	<p>Introduce targeted offers re-related categories (eg other customers who bought x also bought y), using prompts through all channels</p> <p>Develop propensity models to understand propensity to purchase and optimise; develop 'Next Best Action' programmes, prompted through all channels</p> <p>Increase engagement through high involvement mechanisms such as participation and value co-creation</p> <p>Develop portfolio propositions with other business units</p> <p>Call me/chat buttons on web site almost always increases demand from e-commerce sites</p> <p>Targeted up-sell programmes for additional products/higher value products/increased service period</p>	<p>A mobile phone company used predictive modelling to get customer service operators to make targeted offers on inbound calls</p> <p>A North American retail bank processes product, transaction, enquiry, web data in almost real time to work out a series of needs a customer may have and determine the 'next best offer' for inbound or outbound channels</p> <p>Using data from its loyalty card programme, a fashion retailer identified customers whose seasonal buying fluctuated seriously, indicating that they were buying summer but not winter ranges or vice versa. Product ranges were subtly modified to appeal to these people and they were targeted with incentives to visit the stores to try out the merchandise for the season, which they did not normally buy</p>

Table 3: Continued

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Increase purchase frequency (number of visits, orders) of existing products bought	Special promotion days, Buy One Get One Free Reward programmes – with incentives to buy excess supply/capacity/quiet days Launch end-of-line sales, prompting disruptive ‘non-habit’ buying behaviour Incentivise pre-price change purchase – buy before it happens, eg before an increase in price/VAT	Using data from its loyalty programme, a retailer identified that the purchases of some cat food buyers fluctuated abnormally, indicating that they were buying the category from other retailers. These customers were targeted with coupon offers if they had not bought cat food for longer than the ‘normal’ interval An e-tailer prompts repeat purchase through highly targeted email promotions, using collaborative filtering to determine appropriate offers Airlines with frequent flyer programmes identify those early-stage customers who have enrolled in the lowest tier of their frequent flyer programme with profiles showing that they are likely to become very frequent flyers and offer them additional incentives to concentrate their flying with that airline
Increase basket size (purchase amount) each time someone shops	Sell bundles (package of services that are better value for customer and increase overall contribution to company, and better lock-in) Use prompts (eg you are missing these items from your last order; upsell to larger product size pointing out discount; related product cross-sell at check-out, eg batteries for portable appliances; buy a mattress, get offered a mattress cover; shoes/shoe tree or polish) Use clearance sales Use call me/chat buttons on web sites to reduce ‘abandoned baskets’	A leading e-tailer uses ‘Customers who bought x also bought y’ on all product pages, cross-category A mail order retailer doubled revenues from inbound calls in 1 year by using better prompts Many e-commerce companies have a call me button/or ‘live chat’ facility on their websites. This is a powerful way of decreasing abandoned baskets and increasing basket size and cross-sell rates

acquisition) or operating margin (typically gross margin minus overheads such as service and support). In the example in the table, seven strategies (out of the 16) have been selected for prioritisation.

Each strategy should be assessed against, typically, these four areas:

- *Impact on customer* – image, advocacy, engagement, satisfaction, social media commentary.
- *Impact on the business* – For example net present value, trajectory of benefit over time, cash flow, capital investment requirement, operating cost, opportunity cost of not doing.
- *Probability of achieving* – risk, taking into account the company’s culture and history of success and failure in implementing change projects, likely competitor reaction and finally, what knowledge the company

has about whether customer behaviour is likely to change as predicted (this element of risk is reduced through piloting and testing).

- *Compatibility* – For example fit with brand values and image.

In our example, two matrices suffice to make the prioritisation process very visual and understandable.

In Figure 2, four projects have been analysed to have a high impact on business and/or a high impact on customer. The dotted line cut-off point will depend on the business strategy.

These four projects, S7, S8, S15 and S16 have been carried through to the second stage prioritisation in Figure 3. Table 5 shows the resulting project go/no go decision. In this case the company decided to go ahead with S15 and S16,

Table 4: Strategies for improving efficiency in customer management

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Reduce cost of sale (or cost per acquisition)	<p>Implement marketing optimisation on outbound campaigns (propensity-driven prioritisation) – integrating media, channels, messaging to reduce overlap and optimise combination</p> <p>Sell lower margin products through lower cost channels</p> <p>Sell on inbound</p> <p>Use third-party sites (eg e-commerce shop within a shop)</p> <p>Use social media tools to (1) develop awareness, interaction, engagement and advocacy and (2) use viral techniques to amplify messages</p>	<p>A technology services leader segments and targets its communications at a fine level, with comprehensive outbound campaign codes and response codes to ensure it can track every interaction individually. Inbound web and call centre responses are streamed by 'landing page' and inbound free-call number</p> <p>Many suppliers now enable customers to check bills and outgoing payments on their mobiles via a web application, reducing calls on this topic</p> <p>A collectibles company uses internet/e-mail marketing and social media to build engagement and word of mouth, achieving a return on marketing investment of 24:1</p>
Reduce cost to serve (cost of managing customers)	<p>Modify contact strategies based on actual/potential value</p> <p>Introduce alternative cheaper channels</p> <p>Introduce web service for the most common and easy queries</p> <p>Change volume-cost ratio (encourage bulk orders, minimise stock holdings, increase delivery charges, encourage self-service/customer collection)</p> <p>Utilise a blend of communication channels to suit the customers' need and manage cost to serve versus current and future worth of customer</p> <p>Demote low yielding customers in loyalty scheme</p> <p>Train higher value customers to use lower cost buying and service channels – their frequency of use ensures more rapid movement down the learning curve and hence lower costs of service</p> <p>Manage out the 'tail' (dispose of low yield or loss making customers with little potential) (eg Stop marketing/serving; Remove concessions/introduce charges to deter; Ask them to leave, or pass them to a third-party distributor with lower cost base than you)</p>	<p>Many business to business suppliers segment sales-service, so high value customers receive personal key account management, second tier receive telephone-based account management, the third tier self-serve with inbound response, while the rest are passed to local dealers</p> <p>A leading health-care company cut sales cost by 31% by changing how they worked with customers, from using field sales almost exclusively to using a combination of channels including intelligent inbound gateways to help customers manage them</p> <p>Airlines demote customers through tiers of loyalty programmes (eg from gold to silver to executive), reducing the cost to serve</p> <p>A bank developed a self-service proposition particularly suited to higher value, more experienced customers, resulting in higher revenue and margin and customer engagement</p> <p>Insurance companies use discounts for low use of service/no claims</p> <p>Banks have introduced charges on accounts to encourage customers to concentrate their banking with one bank and not leave accounts dormant (when they cost the banks to maintain them without providing revenue)</p>
Reduce cost of failure (identifying the key customer 'complaint' areas and fixing them at source)	<p>Sample contact centre inbound calls, complaints, emails from customers, discussions with front line colleagues to identify top reasons why customers call</p> <p>Resolve frequent customer issues (defects), which have high customer and business impact</p> <p>Manage a brilliant complaint process and include a root cause analysis of all major service defects</p> <p>Capture 'signals of dissatisfaction' wherever they enter the company (may not be a formal complaint, but a reason for customer unhappiness)</p>	<p>Many insurance companies have identified that small chips and cracks on windscreens are ignored by most customers, leading to the windscreen eventually needing replacement. They have developed an approach of free repair to windscreens with this small damage, greatly reducing the incidence of windscreen replacement</p> <p>A consumer products company identified that 60% of inbound calls were 'failure calls' – resulting from the company's failure to manage basic processes, and improved processes</p> <p>A company implemented a 'specials' process as a service to customers for non-standard items. However, cost of failure analysis revealed that customers were frustrated at how long it took to obtain specials and the high cost. The process actually caused disengagement with the brand and attrition</p>

Table 4: *Continued*

<i>Sub-strategy</i>	<i>Example programmes</i>	<i>Example activities</i>
Improve yield	<p>Increasing margin from all customers – new and old, through product/channel and other strategies that apply to all customers: eg plan total customer journey to eradicate waste; reward automation; integrate and make leaner</p> <p>Attract new customers without risking yield, ideally by getting a better yield at recruitment eg by better propositions, higher cross-sell on acquisition: eg. reducing prices of key products (key value items) to acquire customers knowing margin will improve as we work with customers; attracting future high worth customers</p> <p>Retain customers without reducing yield; eg pricing strategy designed to make more margin on ‘full basket orders’, not just individual products</p> <p>Increase yield as customers buy more, more often; eg loyalty programmes to reward increased yields</p>	<p>An airline analysed the margin yield from customers and identified that its allocation of points/rewards for different types and lengths of flights was weakly related to margin. It redesigned its loyalty scheme to reward most profitable activities and achieved a significant increase in profit</p> <p>A bank targeted its acquisition programme on younger customers with profiles suggesting that they were likely to become high earners, and rewarded staff for achieving high initial cross-sales. This was supported by proposition redesign to encourage customers to commit deeply to the bank at the beginning of the relationship</p> <p>Penetration: Do-it-Yourself (DIY) retailer gave additional incentives for customers undertaking major projects</p>

Table 5: Project prioritisation

<i>Customer strategy prioritised list</i>	<i>Comment</i>	
S7 Improve cross-sell	Attractive to the business but relatively hard to do with our infrastructure. Customers have pushed back very strongly against this. We will use profits from S15 and S21 to fund the infrastructure, but proceed cautiously	☹
S8 Manage out the ‘tail’	Although attractive to the business, negative PR against our brand is likely. Too risky in this market	☹
S15 Manage high value customers	A huge opportunity here to get this right and relatively straightforward to achieve	☺
S16 Activation of new customers	Another easy-win opportunity	☺

Figure 2: Prioritisation Step 1.

Figure 3: Prioritisation Step 2.

and to use the income from those to begin to cautiously develop S7.

CONCLUSION

Four main strategies and 16 sub-strategies should be analysed and prioritised. Identifying what CAN be done IN PRINCIPLE is the first step. Identifying what SHOULD be done, in terms of the returns likely to be yielded by particular strategies and sub-strategies, within particular

business models, when particular overall marketing strategies are followed, is another matter. Driving change projects from these 16 strategies, using outcomes-based plans, is a smarter way to achieve change.

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