

# InfoTrak

Information for Better Decisions

## Enhancing Relationships and Increasing Profitability with Client-Centric Communications

At the heart of every marketing program are two key objectives: to gain new clients and grow existing ones. Of the two, experts agree the second is more critical to a company's bottom line. Why? Because it costs five to ten times more to gain a new customer than to keep an existing one, according to the Service Quality Institute.

With acquisition costs climbing and budgets tightening, marketing professionals are constantly on the lookout for new and better ways to manage customer relationships. One concept gaining in popularity is "client-centric" communications. As part of an overall marketing and customer relationship management strategy, client-centric communications can help your company:

- Reduce client acquisition costs,
- Reduce overall sales costs by improving client retention,
- Enhance profitability by expanding relationships with existing clients,
- Create new revenue streams through client referrals.

### Managing relationships: the key to better profitability with customers and prospects

No matter what business you're in, customers, like capital, are critical to your company's success. A study by Andersen Consulting found that a company's ability to effectively manage customer relationships accounts for as much as 64% of the difference in return on sales between average and high performing companies.

Recognizing this, many companies have spent significant sums on customer relationship management strategies, in attempts to offer greater convenience for customers and increase their own sales productivity. A significant portion of these activities centers on gathering useful information about clients from every point of contact. This knowledge is used to identify the company's most profitable clients, as well as factors — such as industry, company size, geography, distribution channels and seasonal buying patterns — that contribute to their purchase decisions. This information can help the company reduce marketing costs by extending offers that meet the needs of specific clients, while eliminating offers that will have no appeal. It also makes it easier to target prospects with similar needs and buying patterns. In the end, companies are able to focus their marketing program on clients and prospects most likely to add to their profitability.

Today's customers and prospects are literally bombarded with information and offers:

- In 1985, consumers were exposed to about 650 marketing messages a day, according to *The Beauty Myth* by Naomi Wolf. Today, that figure approaches 3,000, writes David Shenk, in *Data Smog*.
- The Direct Marketing Association's *Statistical Fact Book 2000* notes that direct mail has risen from 35 million pieces in 1980 to 85.6 million in 1998.
- And antitelemarketer.com says consumers receive an average of 60 to 90 telemarketing calls each month.

But, as technology opens new channels and brings new competitors, it becomes harder and harder to be heard above the "noise."

How can businesses cut through all the clutter and make meaningful contact with their best clients and prospects? One way marketing professionals have addressed this challenge is by personalizing their communications. Communications targeted to recipients' needs and desires, incorporating personalized images and messages, have been proven to increase receptivity.

## Making it personal

As society advances technologically, consumers face an ever-increasing array of choices. Just as the invention of the automobile enabled us to move beyond the confines of our own neighborhoods to shop in other towns, today's electronic technology — television and, in particular, the Internet — make it possible to buy from businesses virtually anywhere in the world. If buyers don't see what they want (or don't feel the offer is good enough) on one channel or web site, another supplier is just a click away.

Yet, with all the convenience of high tech, most people still want a personal touch. And it's the personal interaction that encourages repeat business because it adds a level of familiarity and trust. It's comforting to shop where your face is recognized or you're greeted by name. And the same is true of direct marketing communications.

## Mass versus personalized communication

The traditional advantage to mass-produced communications is economy of scale. When printing was largely a mechanical process and computer database capabilities were still relatively limited, the "one size fits all" approach of mass mailings ruled.

Today, combining the technologies of print-on-demand and design-on-demand enables companies to customize collateral with a few clicks of a mouse, adapting marketing messages, graphics and other variables according to industry, product mix, previous purchasing patterns, geography and other demographics. Per-piece production costs for short-run materials have dropped dramatically, thanks to the development of design software, and, more importantly, of digital print capabilities.

But mass personalization still costs more than mass production of a generic communication. So the key marketing question becomes, what's the return on investment for customization? That's a question the client-centric communication model attempts to answer.

## Communications with an eye on ROI

Client-centric communications incorporate personalization, but refine it beyond simply inserting a customer's name in a letter or brochure. Done well, client-centric communications can help companies improve the profitability of their customer relationships and — by extension — their bottom lines.

The key to this process lies squarely with a company's customer relationship management capabilities. The effectiveness of client-centric communications depends on a company's ability to gather and analyze relevant customer relationship data in order to understand clients' needs and desires, as well as their worth to the company. Those insights, in turn, form the basis for how the company interacts with customers and targets prospects. This information drives decisions such as what offers to make, what services to provide, and to what degree to personalize communications. Only in this way can marketers determine whether they're getting a good return on their companies' communication investments.

Some of the key questions truly client-centric companies continually ask include:

- Who are our customers?
- Who are our *best* customers?
- What do they need/want?
- Why do they continue doing business with us?
- What do we know about our customers (industry, company size, location, number of employees, sales cycle) that can be used to develop a segmentation model?
- Where can we find prospects with the same or similar characteristics as our best customers?  
How can we reach those prospects?

## The concept of segmentation

Client-centric communications programs are inherently pragmatic because they're designed to acquire and retain profitable clients, while reducing overall communication costs. This is achieved by adopting a tiered communication structure with varying degrees of personalization and customization. A typical client-centric structure would include:

- *Company to individual communications*, in which content/messages and, possibly, design are completely customized and targeted to a specific need, delivering only the most relevant information. To realize an effective return on investment, individualized communications should be reserved primarily for a company's most profitable/valuable customers and prospects.
- *Company to segment communications*, which are aimed at a portion of a company's client/prospect base sharing common demographics, needs or interests. Some content is generic, while relevant portions are customized to address the segment's commonalities.
- *Company to mass audience communications*, which are sent to the broadest market base, with minimal personalization (e.g., 'Dear Mr. Smith'). This is the most efficient way to get a generic message out to the largest possible population.

This multi-level approach to personalization and customization, based on strong customer knowledge, takes the guesswork out of marketing and helps a company's marketing and promotional dollars work harder.

## Wringing greater efficiencies from fulfillment

Client-centric communications are even more effective when coupled with cost management efficiencies in developing, producing, distributing and storing marketing materials — an area in which partnering with the right fulfillment company is key. A good fulfillment vendor does more than make sure the right materials get into the right hands at the right time. The best vendors will recommend strategies for client-centric segmentation and offer appropriate design and digital production capabilities.

At minimum, look for a fulfillment company that offers:

- The ability to tailor interfaces to your CRM systems.
- Multiple channels for ordering materials and creating kits.
- Real-time data on inventory and usage.
- Online shipment tracking and delivery notification.
- 24/7 access to customizable reporting capabilities, to help you manage your print budget by tracking collateral usage.
- A secure, reliable network of servers.
- Allocation tools to monitor ordering trends and set ordering parameters.
- And, of course, design-on-demand interface and digital print-on-demand capabilities.

## Summary

Customer relationship management is all about knowing your customers and keeping them loyal, and also capitalizing on this information to target your best prospects. Client-centric communications — communicating with customers and prospects in a way that's relevant and helpful to them — enables companies to build market share, increase market penetration, create loyalty and enhance overall profitability.

**For more information on increasing profitability through fulfillment and client-centric communications, contact Comac. Comac helps companies reduce time to market, streamline business processes, increase response rates, and improve ROI by designing fulfillment programs with a marketing communication focus. Call us at 1-866-COMAC4U, or send us an email for a no-obligation discussion of your needs.**



**Corporate Headquarters:**  
Comac, Inc.  
565 Sinclair Frontage Road  
Milpitas, CA 95035  
1-866-COMAC4U  
www.comac.com

## Keeping good customers is smart business

Some eye-opening statistics from a variety of sources bear this out:

- According to the Boston Consulting Group, Internet marketing to existing customers costs about \$7, versus \$34 to acquire a new customer by the same means.
- In *The Loyalty Effect*, author Frederick Reicheld writes that raising customer retention rates by 5% can increase the value of an average customer by 25% to 100%.
- JoAnna Bandi's book, *Building Customer Loyalty*, notes that it can take 18 to 24 months to break even on the cost of acquiring a new customer, and that a 2% customer retention rate is equivalent to cutting sales costs by 10%.
- The Marketing Resource Center says:
  - The average US business spends six times more to attract and capture new customers than to keep existing ones.
  - The probability of selling something to a prospective customer is about 1 in 16, while the probability of selling something to an existing customer is 1 in 2.
  - It takes an average of 7 calls to close a first sale, but an average of only 3 calls to close a subsequent sale.