

Retention Drives Revenue: Making your Contact Center a Strategic Weapon

By Jim Rembach, SVP, Customer Relationship Metrics

For many companies, the contact center is the most important component in relationship management. Yet very few companies recognize and leverage this fact. In most companies, Sales and Marketing get all of the credit and attention while the Contact Center is seen as a very distant relative. Sound familiar? We have all heard the customer relationship quote that “it costs x times more to obtain a new customer than to retain an existing one”. So why do Sales and Marketing get the goldmine and the expanding budgets and the Contact Center get the shaft?

Most companies do not calculate lost revenues from relationship failure. Beyond the difficulty in accurately determining the figures, the fact remains that no one in the organization wants to take ownership of losing revenue for the company. It is easier to spend time pointing fingers. Remember though, a great deal of research has been completed, establishing time and time again that the lost revenue is the revenue that would actually require the least amount of investment to retain.

In other words, lost revenues present the greatest potential for a positive ROI on efforts. After all, why do you think so many companies have rewards and loyalty programs? There is a high rate of return associated with recognizing a customer’s value and working to keep them and to further grow the relationship.

So where else can customer retention efforts tap into the goldmine? No need for a hint – it is the contact center.

All improvement efforts in the contact center should ultimately lead to providing better service and result in relationship enhancement for valuable and potentially valuable customers. The contact center can be a loyalty generation department. Contact center leaders must learn how to assimilate the vision of Center of Retention into the mission. Unlike other mining activities, this is not an activity that rapes and pillages but one that enhances a renewable resource.

Mining Customer Intelligence

Some may protest and say that customers leave or reduce spending for numerous reasons that are beyond the control of the contact center. I agree; it may be product or service related; it may be cost related; it may be policy related, etc. But these are all guesses, educated hypotheses, at best. The contact center is where customer intelligence can be obtained to prove or disprove such hypotheses. The choice is simple: focus on retaining revenue and relationships or on antiquated productivity measures. One leads to the goldmine and the other leads to frustration.

Every contact center has the potential to protect revenue for the organization, regardless of whether or not the contact center is focused on sales activities. The revenue protected allows your organization to realize its increased revenue and market share goals. The

contact center is the most important instrument in converting lost revenue to retained revenue and getting existing customers to spend more and to become advocates for your company. However, the path to the goldmine is only possible if the contact center is provided with, and effectively uses, the appropriate resources and authority.

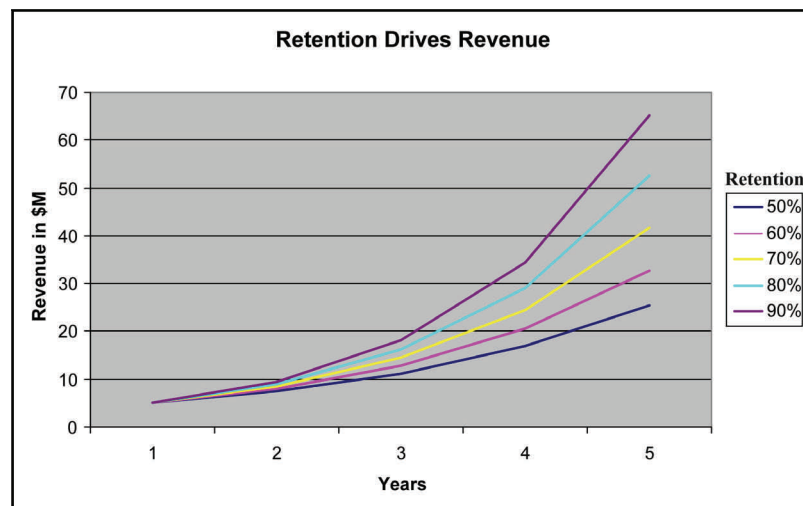
Authority to deal with every customer interaction as a save or retention opportunity comes from a level of trust in the contact center that is earned. Trust is earned by providing consistent evidence of how providing excellent service experiences contribute positively to customer loyalty. Like the canary in the mine, a consistent measurement process of the customers' experience is the tell-tale sign of an issue (or lack of issues).

To identify problems outside of the contact center's control, it must collaborate with other parts of the business to rectify problems causing dissatisfaction. With this in mind, you need to continually allow customers to evaluate your service delivery and be alerted in real-time when your contact center and company fails to meet customer expectations. Relationships are too important to wait to survey after the fact. Delay can be deadly.

Retentions impact on Revenue

A company's revenue can be analyzed in different ways. For this article, let's focus on new, existing, and lost revenues. New revenue includes revenue from new customers, as well as increased revenue from organic growth within the existing customer-base. Existing revenue is the amount of customer spending during a single reporting period. Lost revenue is spending that has been decreased or eliminated by a customer. For this example, the sum of all of these activities is equivalent to the total revenue for a company for a single reporting period.

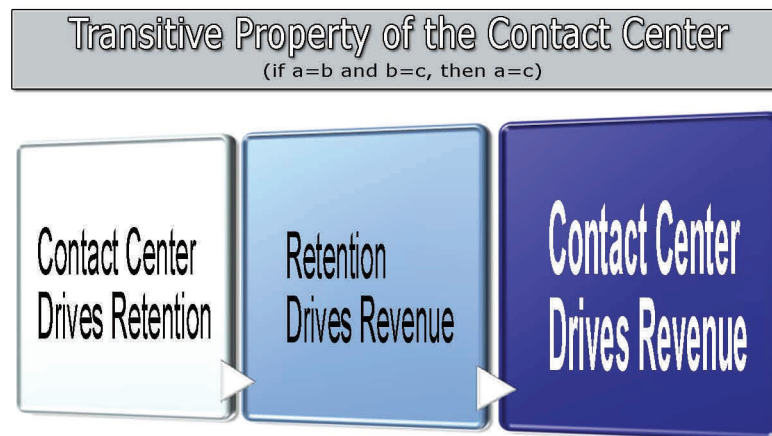
In order to achieve long-term growth, a business must continue to acquire new revenue while maintaining the existing revenue base. In the example shown in the chart below, the company has existing revenues of \$5 Million projected for the next five years and does not



expect to add any new revenue. This example will allow us to isolate the impacts of different retention percentages on revenues.

As you can see, in the fifth year, the company generated 2.5 times greater revenues at the highest retention percentage than compared to the lowest retention percentage. And it achieved this result through the least expense manner possible – revenue retention. While it is unrealistic to have a goal of 100% customer retention, it is important to focus on retention as a primary job function of the contact center. Reporting and analyzing the impact of retention to the company and the contact centers influence on it, is vital to the contact center's existence.

Contact center leaders must become well versed in all facets of customer valuation calculations used by marketing, sales, and the CFO, in order to equip themselves to make an effective argument for the existence of the contact center. This information must then be integrated into the daily activities of the contact center to assist in building business cases and performance measurement. Until then, greater frustration is your future.



Jim Rembach is a Senior Vice President with Customer Relationship Metrics and a long-time customer care veteran. He has a passion for the contact center industry and the customers they serve. He spent his early years in the industry in various responsibilities including, team leader, call center manager, business consultant, project manager, and process consultant. He now works with organizations to transform their cultures and operations to be customer-centric by implementing managed customer experience research programs that are infused with operations expertise, which includes the award-winning EQM (External Quality Monitoring) program.



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