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BY JOSEPH JAFFE

EVERY CUSTOMER IS SACRED

There is no acceptable level of churn.

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What would happen if a business ran out of viable customers? What if the pipeline of new blood permanently dried up? Sound farfetched? It's not as outlandish as you might think. In fact, this is precisely what happens in entrenched categories, industries, and brands that are trading in otherwise-mature and/or stagnating markets.

In the early days of any new product or category, there is the shiny-object syndrome that operates in a business's favor. Everything is new and exciting, invites trial and experimentation, and rewards curiosity and intrigue. Sometimes all it takes to fill a store that has previously been vacated is to open the doors.

For most companies, though, there isn't enough pixie dust to go around and get people in the store. And so we turn to gimmicks: Take a walk down any given street in Manhattan, and you'll be overwhelmed with the number of Grand Opening signs (it used to be Under New Management). Soon enough, you'll come to realize that the only thing grand about the opening was the purchase of the Grand Opening sign. And once the sign is lowered and stored with the Under New Management sign, fake Christmas tree, electric menorah, pumpkin, and other window candy, it becomes a simple numbers game: prioritizing quantity (foot traffic) over and above quality (service).

This game works up to a point, but soon the magic wears off and consumers are in on the secret. No longer do bells and whistles differentiate or disguise the lack of substance and consistency. In the freakiest of cases—such as that of Manhattan's famed "Soup Nazi"—complete disregard for service actually entices people to line up for more (abuse).

For the other 99.99 percent of us, our fortune cookie will read EVERYTHING MUST GO if we aren't able to find a healthy balance between getting people in and keeping them coming back for more.

Oh, yes, and then there's advertising—often referred to as "spray and pray" or "command and control." In reality, this has become synonymous with a different act—that of churn and burn (with apologies to Texas hold 'em). The continuous rotation of campaign taglines, creative messages, and clutter-busting noise helps keep a baseline level of acquisition activity. But what happens when advertising budgets dry up, as they have in recent times? What happens when people aren't watching commercials anymore—or, when they are, they're no longer convinced there's anything grand about the opening to entice them into the store and give the new management one more shot at redemption?

GETTING TO ZERO

The entire process of managing churn is flawed at best and suicidal at worst. It is predicated on a simple formula: that people coming in need to counteract those going out. And as long as the former outweigh the latter, the cash register gives the illusion that all is well in Commerceland. To make this madness that much more scientific, there are even various levels of churn that are deemed to be acceptable.

Let me be clear: No level of churn is acceptable. Ever.

Call me old-fashioned, but I was always taught to treat every customer as the most important and/or last one. It's an incredibly dangerous game when people become nothing more than statistics, and a laissez-faire approach to business health and wellness is adopted in the process as long as the numbers conform to the norms.

Churn, in any form, is intolerable—it's as simple as that. Companies need to obsess on reducing churn to zero. No self-respecting cable customer should ever have or need to switch to satellite, and vice versa. No person should ever have to or need to abandon Colgate toothpaste for Crest. No human should ever have or need to switch from AT&T to T-Mobile, from Dell to Lenovo, from Visa to MasterCard, from Kmart to Wal-Mart. And yet many do. We give our customers way too many reasons to make the switch. We make it easy for them and for our competitors:

- From lack of caring or simple neglect
- By giving poor customer service (response and responsiveness)
- By losing touch with our consumers
- By failing to close the loop
- From lack of innovation

IN SEARCH OF STRATEGY

In a world where perception is reality, we're awfully good at giving the impression that we are just inaccessible and unresponsive. Truthfully, any business that banks on acceptable or default levels of churn doesn't care nearly enough about its lifeblood. The very existence of churn requires a third pillar—containing investment, budget, and specific tactics—designed to complement acquisition (gaining new customers) and retention (keeping them). Call it attrition if you like (preventing them from defecting, leaving, or being stolen). Although retention and attrition might seem to be the same thing, they are most decidedly not.

If acquisition's weapons of choice are advertising and promotions, and retention's arsenal consists of customer relationship management and loyalty marketing, then attrition's tools of the trade might include customer service 2.0, commitment to conversation, and affiliate 2.0. So ask yourself:

- How does your organization operate with respect to acceptable levels of churn?
- Do you have specific resources dedicated to preventing churn and/or countering attrition?
- To what extent do you court lapsed or lost customers in a concerted, intense effort to woo them back to your brand(s)?

For every decision made, there is an opportunity cost; for every decision not made, there is an opportunity lost. To truly embrace change, companies need to hit all four of these drivers: cultural buy-in; organizational change and process; strategic architecture, foundation, vision, and planning; and, finally (last and least), tactical implementation.

Although execution is critical—especially when it comprises "proof of concept"—we frequently witness tactics in search of strategy or solutions in search of nonexistent problems. Indeed, without its soul mate of strategy, all the tactics in the world become nothing more than a series of disjointed and fleeting punches, occasionally capable of winning the odd round but ultimately losing the match. Strategy is both the grounding force and the aspirational vision that empowers companies to innovate, adapt, and evolve. That said, without some kind of organizational structure and process, all the plans in the world will similarly hit a ceiling in terms of potential and impact. Without process, there is no integration, continuity, or longevity. Without the appropriate buy-in, it's extremely difficult to integrate any idea or initiative into the organization—having the effect of isolating any program, no matter how good it is and no matter how much potential it possesses.

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DO YOU REALLY CARE?

Which brings us to the most important—and, unsurprisingly, hardest to implement—element of the formula. Without cultural buy-in, organizational process, resource allocation, system integration, and best practices are like a transplanted organ rejected by its host body: a short-lived success with a grim and unpleasant ending.

In many companies, divisions and departments are separated by both literal and figurative walls, and it's not easy (or painless) to break down these walls. Incumbency and legacy trump ingenuity and originality. Therefore, most companies do extremely poorly when it comes to adopting and adapting to change.

That's my way of saying, "I understand." But it's also my way of saying, "I don't care, and neither should you, when it comes to rethinking the way you've done business and, hopefully, the way you'll do business moving forward."

In what appeared to be a genius effort, wireless provider Sprint ended a television commercial that featured the company's new CEO, Dan Hesse, with a novel call to action. Instead of the tired and meaningless www.insert-brand-url-here-but-give-no-actual-reason-to-visit-the-website.com URL, Sprint provided an e-mail address—and not just any e-mail address, but Dan's: dan@sprint.com. What better way to make good on the promise of a wireless revolution—just as the ad promised, and in doing so, demonstrate commitment to customer care and experience?

GOING OFF SCRIPT

Customer service and servicing customers are not necessarily the same. Whereas the former conjures up images of well-trained, eloquent support staff located somewhere in India, the latter is typically associated with some kind of in-store or face-to-face transaction. The former is exceptionally process-driven, with well-oiled yet stale scripts adhering to dotted i's and crossed t's; the latter is more of an art form, with loosely followed and often unpredictable results.

Of course, there is crossover: for example, when the customer-service agent on the other end of the phone goes off script in the worst possible way and subsequently loses it with you and somehow takes offense at your raised voice and tonality—forgetting, for a moment, exactly what they do for a living and the reason you're calling—and consequently hangs up on you because you said something heinous like "bullshit." (The preceding story may or may not have happened to me about a thousand times.) —J.J.

Unfortunately, a customer actually e-mailing the CEO got this in return:

> *Dear Valued Customer,*
>
> *Thank you for contacting Sprint. Thank you for sharing your feedback on the new commercial featuring Dan Hesse. We will pass your feedback on to the appropriate group. We really do appreciate you taking the time to show us your voice your opinion. Thank you again for contacting Sprint. We appreciate your business.*
>
> *Sincerely,*
>
> *Teri W. Sprint*

In this case, any care being communicated was superficial and contrived at best—and blatantly false at worst.

DON'T CALL THEIR BLUFF

Whichever way you look at it, churn is directly related to our inability to overdeliver or our propensity to underdeliver, relative to our customers' expectations of how they deserve to be treated in the first place. There's no reason for a customer to leave if she feels that she's treated well, appreciated, and getting her money's worth (value). To that end, the very interpretation of value becomes much more than just objective evaluation (product intrinsics). Rather, it is a host of personal, emotional, and subjective factors, including—but not limited to—how customers are treated and appreciated.

How many times have you lobbed the kiss-of-death threat (or bluff) at a service provider? From the "I'll take my business elsewhere" ultimatum to the less forgiving "you've just lost a customer," our ability to retain customers, loyalty, and repeat business will always be closely linked to our ability to treat them as we would expect to be treated in return. And though this may sound painfully obvious and elementary, it is somehow completely bypassed when we play the numbers game and reduce our customers to figures and data points.

So what can you do about it? For starters, when customers threaten to take their business elsewhere, don't attempt to call what you may perceive to be a bluff; instead shift gears into high defense and open up a new playbook designed to counter this threat. Ask, "What can I do to prevent you from leaving?" or "What will it to take to change your mind?" After all, what's the worst that can happen? They leave anyway, and you tried your best; nothing ventured, nothing gained. But what's the best that can happen? They remain in the fold: Loyalty: 1, Churn: 0. Ultimately, the answers to the questions are almost always going to be "solve my problem" or "help me." Other times, it may require an "I'm sorry" or an assurance that "it won't happen again."

Asking customers to give you another chance is as easy as asking the question. The hard part is making sure that whatever has offended them never happens again, and the only way to prevent a relapse is to make sure customer service is integrated into the organization's business processes, knowledge

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centers, and learning systems. JetBlue did just that when, following a horror incident in February 2007, when passengers were stranded on the JFK tarmac for more than ten hours, the company introduced a customer bill of rights. This document covers items like departure delays, overbookings, onboard ground delays, and flight cancellations. It begins: “Above all else, JetBlue Airways is dedicated to bringing humanity back to air travel. We strive to make every part of your experience as simple and as pleasant as possible. Unfortunately, there are times when things do not go as planned. If you’re inconvenienced as a result, we think it is important that you know exactly what you can expect from us.”

The Bill of Rights was last updated on Jan. 30, demonstrating that customer service and adapting to customer needs is very much a live work in progress.

Practically the entire business of marketing revolves around consumer insights. We plow endless amounts of money into gaining a better comprehension of what makes them tick. Our logic is simple: If we can understand customers more clearly, then we can better connect with and serve them, with timely, relevant, useful, and helpful information.

But somewhere along the line, we kind of lost touch with our customers. At no time was this more prevalent than during the 2008-09 recession and, in particular, during the 2009 Super Bowl, with the likes of Monster.com and CareerBuilder.com making light of “being stuck in a job you hate” while millions of Americans were busy losing their jobs and desperately trying to figure out how to keep a roof over their families’ heads.

In the very same Super Bowl, one brand, Hyundai, stood out from the crowd by using the opportunity to announce its assurance program, where people who lost their jobs could return their cars. To be clear, the fact the company used the Super Bowl is less significant than its incredibly smart (opportunistic?) move to stand for something valuable, especially during challenging times. Perhaps I’m wrong, but I think this was the single most significant and potentially differentiating move this otherwise commoditized brand (and aren’t they all?) had done in its entire marketing lifespan operating in the United States.

CLOSING THE LOOP

Marketing is not a campaign—it’s a commitment. The same is true of customer bonds or the connections between a brand and its community. In today’s marketplace, our relationships with customers seem to mirror the current divorce rate (which is way north of 40 percent in the United States, and rising). There’s an acute lack of patience and staying power when it comes to forging lifelong, inseparable ties with customers. Perhaps the reason for this is an insufferable focus on short-term results and the immediate gratification that comes from making the sale. It’s really emblematic of what I call “sales sickness,” an epidemic of sorts, where there is a wholesale abandoning of the ship at the exact moment the cash register chalks up the transaction. Call it after-sales support on its basic level, but it’s more than that. Failing to close the loop is lack of follow-through or follow-up. It’s an inability to stay the course, and stay connected in the process.

An interpretation of failing to close the loop is neglecting to use the knowledge, insights, and feedback from customers to actually change or improve things. Using customer suggestions—either solicited or unsolicited—as market research is absolutely mission critical, but it’s wasted and worthless if it doesn’t have a direct line back to the powers that be to assess and ultimately implement. For example, pharmaceutical giant Merck changed its entire commercial model after extensive customer research revealed that customers wanted more than just products—they wanted service.

Virtual worlds—which were all the rage circa 2006 and 2007—are making a comeback as a powerful market research tool or focus group. Companies such as IBM are using online environments to learn more about their customers and are able to parlay what they’ve learned into improved customer service.

VOICE OF THE CUSTOMER

Closely following on the heels of market research as a means to close the loop—that is, supplying valuable information to the insights side of the business—is the idea that these nuggets are not just how we can incrementally tweak the model to make things better, but how we can exponentially improve or make things significantly better. Build a better mousetrap, so to speak. Put differently, how can we change the game by incorporating these insights into the very R&D process or engine that powers our company? Without the ability to greatly improve the work product, the best-case scenario is stagnation; the worst is extinction. How does your organization close the loop when it comes to feeding the strategic-planning side of the business with feedback from the customer-interaction side of the equation? Do you have a voice-of-the-customer program in place? To what extent are your listening strategy and customer input integrated into your core knowledge networks?

It's naïve—and almost negligent—to assume that your competitors are sitting around, waiting for something to happen or for you to make the first move. Innovation is a high-stakes game, and more often than not, there is only one winner. Will it be you?

WITHOUT INNOVATION, THERE IS THE RISK OF BECOMING OLD NEWS, BORING, PREDICTABLE, A ME-TOO. AND WITH ANY ONE OF THESE FACTORS IN PLAY, THE RISK OF DEFECTION INCREASES, AND THE VICIOUS CIRCLE OF CHURN CONTINUES.

Innovation is inarguably the lifeblood of any company. Without it, there is the risk of becoming old news, boring, predictable, a me-too. And with any one of these factors or a combination of them in play, the risk of defection increases, and the vicious circle of churn continues.

Peter Drucker once said that "the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs." I'd respectfully add a third to this mix: customer experience. However, this would equally be satisfied to the extent that customer service and general retention efforts also fall under the innovation banner.

It's time, once and for all, to spurn the churn. To do this, we typically have two variables to influence: boosting acquisition and/or lowering attrition. But there is a third pressure point: retention itself as a starting point rather than an ending point. By increasing our success and competence in the retention category—not only in terms of lowering net attrition and churn but through activating this base and ultimately flipping the funnel—we have an opportunity to transform retention from a reactive or passive task to an active, actionable, and impactful strategic imperative. It also allows us to rely less on acquisition as an addiction to fuel the illusion of growth. ■