

Maximizing Your Effective Use of CUSoon

A White Paper

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Introduction to CRM

CRM is business jargon for *Customer Relations Management*. CRM is also an idea that's so important that if you're not doing it now, you soon will be. When it's done well, the results can be extraordinary. The good news is that most of it is not difficult – and CUSoon has been designed to make much of the process simple, reliable and inexpensive.

Nevertheless, whenever businesses talk about their whiz-bang CRM systems and what they can do for customers, they always tack this on as an afterthought: "But the most important element is our people." However it doesn't have to be an afterthought. At some companies, such as Southwest Airlines, it pretty much is just the people.

Southwest Airlines flouts all the rules of airline customer service. No in-flight movies. No miniature pseudo-gourmet dinners. No first-class upgrades. No reserved seating. And customers can't get enough.

That's in part because of the economy airline's low fares, which require it to run leaner than its full-priced competitors. But it's also because the airline follows another rule usually ignored by everyone else: "be nice and smile a lot."

"We're a customer service business that just happens to fly airplanes," says Southwest executive VP of customer service Donna Conover. The numbers show that Southwest has succeeded in its customer service. The American Consumer Satisfaction Index gives Southwest a customer satisfaction of 74 out of 100 for the first quarter of 2002, compared to an industry average of 66. That puts it at the top of the airline customer satisfaction scale, where it's been for years (Cannon, 2002).

But every business is a customer service business – regardless of what you think you do. There's no magic to good customer relations. It entails little more than insuring that every transaction with the customer be simple, quick, polite and accurate. In that regard, one of the most important things that you can do for a client is to keep him informed of his current status.

When email is used judiciously and with concern for the recipient, it has an enormous potential to become a mechanism to greatly increase customer loyalty and satisfaction. A few companies are already doing this with extraordinary success: Amazon.com, Ebay, Southwest Airlines, Expedia.com and Dell Computer.

Amazon is especially worth noting. For four years running now, Amazon.com has received the very highest customer satisfaction ratings ever received by any service organization, with each year being better than the last. Their rating for Q1 2003 was an astounding 88 out of 100. And yet you almost never speak to a human at Amazon.

If you've ever ordered a book from Amazon, you received a confirmation email of that order in just a few minutes. A day or so later, when the book shipped, you received another email telling you of the shipment, giving you the shipment method and the

tracking numbers. Or, if there was a delay in the shipment, Amazon notified you as to the extent of the problem and the expected new ship date.

The intent of CUSoon, in a single sentence, is to convert your organization into Amazon.com, as simply and easily as possible. No matter what size organization you are, you can look like a second Amazon.com. The internet is the “great leveler.” Use it to your advantage.

Kill the Marketing Person

During the course of every engineering project, there comes a time “to kill the engineer.” The same is just as true for the marketer. That time arrives the instant when someone suggests sending mass email to every email address that you have in your database to advertise some new product or service that your organization is offering. There are better, more subtle, and more effective ways to accomplish the same goal, but which will also build you great customer loyalty.

The danger in email is that you can quite easily look like the bad guy. Spam has become the most detested commodity on the planet. People are being overwhelmed with unsolicited email offers, some legitimate, but most illicit or immoral, clogging a service that they established for their own personal benefit. And they hate it.

If you’re going to add to that inflow of nonsense, you’re going to do yourself more harm than good. Seth Godin, author of “Permission Marketing and Unleashing the Idea Virus,” writes that **email must always be created from the customer’s point of view, not the organization’s**. Speaking to *Credit Union Magazine*, Godin said, “No one wants to get ‘email’ from their credit union. They want to get ‘me-mail.’ The sooner marketers stop thinking that they’re important, the better it will be for their business.” (Dernovsek, 2003). That’s harsher than we would have said it, but the moral’s certainly clear.

How can you tell the “email” from “me-mail”? That’s easier than you think. Simply look at the email and ask yourself who benefits from it. If the purpose of the email is solely to advertise your new widget to as many people as possible, at the lowest possible cost – without any clear idea that the recipient would even be interested – then don’t send it. If you do, regardless of your intentions, you’ve just become another spammer, and you’ve done yourself some real harm. But if the recipient garners some very specific information from the message that is especially important to him, then you’ve done your client a favor and increased your standing in his eyes.

What kinds of items represent “me-mail”? If you were a bank or a credit union, they would be items such as:

- notices of loan approval
- notices that your monthly statement is now available on-line
- notices of payroll deposits into your account
- notices of received wire transfers
- notices of insufficient funds and the return of checks

- notices that your checking account has fallen below a preset level
- notices that funds have been automatically transferred from your savings accounts into checking
- notices of current loan rates
- notices of loan payments, including the current statuses of the loans (balances, amortization dates, interest paid to date, etc.)
- notices of changes in adjustable rate mortgages
- notices of CD renewal dates
- notices that deposited checks have been returned due to insufficient funds for which your account has been debited

These are extremely easy emails to create in CUSoon. You have all of this information in your databases as to when these events transpire. While you would never have sent out the majority of these items if you had to print a piece of paper, put it into an envelope, and mail it, the costs of transmitting these notices with CUSoon now drop to zero.

But far more important than reducing your costs of operation, these notices bind your customers to you. They keep your clients informed as to their immediate status and what actions they might have to take to avoid unnecessary charges. Information, even bad news, is always far more valuable when delivered promptly, especially when it works to minimize customer confusion. This is a level of service that you couldn't have provided in the past, but you're going to find it quite easy now with CUSoon.

Similar high-value emails to a customer, if you were a manufacturing organization, would be:

- order acknowledgements
- projected shipping dates
- actual shipping dates, including the method of shipment and tracking numbers
- notices of backorder delays
- notification of the availability of new on-line catalogs
- notices of high-discount sales of surplus items
- past due notices
- year-end taxpayer id information
- notices of discontinuances of prior-ordered part numbers and their replacement items

And if you were a university or a community college, emails that both students and faculty would find important might be:

- class schedule confirmations
- reminders of registration dates
- payment due dates
- interim grade notices
- reminders of overdue library books
- parking tickets yet to be paid
- required graduation classes checklist
- departmental announcements

- tailored matches for jobs available on campus and in the surrounding area
- announcement of specific social activities
- tuition statements
- announcements of speakers and seminars

The theme common to all of these emails is that they all say something important to the recipient. They're not a waste of anyone's time. People have never been busier than they are now, but if the emails you send prove to be consistently important to your customers, they will be appreciated – and so will you.

In an increasingly commoditized world, customer loyalty is everything. There's an old formula that customer satisfaction leads to increased customer loyalty, which leads to increased revenues from the same customer. Everyone realizes that attracting new customers is costly. The general rule of thumb is that it's 2 to 10 times more expensive to attract a new customer than it is to retain an old one. CRM systems, when properly used, can contribute significantly to customer satisfaction and retention (Kolsky, 2003; Koudal, 2003).

Claes Fornell (2001) wrote in the *Harvard Business Review* that an intangible, feel-good asset such as customer satisfaction can't be captured on a balance sheet, thus spending to improve customer service and customer retention has been traditionally treated as a cost rather than an investment. Fornell argues that this is a mind-set that must change. Satisfied customers may be the most consequential of all assets; indeed, they are proxies for all other economic assets combined. In the end, all of your investments are judged by the way that they contribute to the strength of your customer relationships.

Why is customer satisfaction so closely linked to economic performance? The answer is simple: for the most part, it's the way that our economic system works. It was designed with the idea that sellers should compete for the buyers' satisfaction. Satisfied customers, among other things, reward companies with their repeat business, which has a huge impact on cumulative profits (Fornell, 2001).

The Good News

CRM is a good news/bad news story. The bad news is that if you aren't planning on deepening your ties with your customers, your competitors are. The second bit of bad news is that much of the public has already become used to seeing CRM done well; thus if you are planning on doing it, you must meet certain minimum expectations. The good news is that it's not difficult – and you can start with simple projects. You'll find that once you've done one, the next twenty will be easy.

Consider the case of sending out pre-approved loan offerings to a pre-selected group of clients. Scanning your databases for the appropriate set of members and writing that information into a "flat" file is the kind of thing that your data processing department does on a daily basis. It's quite easy to do. All you need to do is to decide on the criteria that you wish to use to qualify the people to whom you are going to make the offer.

The second step is to write the letter that will be the offering. That too is easy. While writing the letter, use familiar names, addresses and pre-approved amounts in a sample letter. Doing this helps keep the letter real. Once the letter is completed, and everyone agrees on its content, have the DP people change out the placeholder names with CUSoon tags and put the resultant file on the CUSoon server. That's all there is to it. Once the actual queries have been run on your database, the emails can be in the hands of their intended recipients within an hour.

The University of Tennessee FCU did exactly this a year ago, sending out 450 emails. Within two hours, they received six emails from members accepting their loans, each for a loan of at least \$35,000. Several members said that knowing that they were pre-approved was reason enough for them to begin shopping. They very much appreciated knowing up front that they were pre-approved and did not have to hassle with the dealerships' credit managers.

In their campaign to increase their loan portfolio, UT Federal Credit Union sent 3,500 letters and 450 emails (Jett, 2002). The letters cost \$2.10 per piece, for a total of \$7,350. The emails, because they were outsourced, cost approx. \$0.50, or \$225 total, an obviously significant savings. But with a technology such as CUSoon, which runs internally within your organization, the costs per email drop to essentially zero. There is no cost at all. But even more important is the flexibility for change that you're going to have with CUSoon.

Although sending out pre-approved loan offers may be a once-in-a-quarter activity, many other emails should be automated so that they're checked at least once a day, items such as insufficient funds notices or worse yet, notifications of checks that were deposited into a customer's account but which were returned by the issuing bank for reasons of insufficient funds. For a business customer, this second form of notification can be really quite important. Once the query job has been written to scan for these items and the template email has been written, scheduling the job to run at regular intervals is extremely simple, regardless of what kind of operating system or database you're running. Now that the process has been automated, it requires no further human intervention, but you've done both yourself and your customer a great favor.

Politeness Counts

Email, like any form of written communications, has a tendency to come across harsher than you may have intended it. That realization is why people invented "emoticons" such as :-). But these tricks are not necessary if you write well. Merely insure that you are polite in your emails. If you're going to err, err on the side of being excessively polite. This advice isn't nearly as critical if the email contains only data such as shipping information and tracking numbers, but even then, it never hurts to put a message at the bottom of the note listing contact names and numbers for the recipient to call if he should encounter any difficulty. For almost every other form of email, read the text of your emails carefully for their psychological impact before you send them, testing them to see if they come across as rude or abrupt in any manner.

Privacy/Security Concerns

Beyond politeness, security is a second great concern. Email is not a secure channel of communication, and it most likely never will be. When you create an email, imagine that

it was addressed to you and then imagine handing it out to the people passing on the street. Looking at it in this light is an easy test to see if there is anything in the email that you yourself wouldn't want to be seen publicly.

Items such as social security, account, phone and credit card numbers that tie back to a name and address clearly should never be sent in an email, at least not in their entirety. They can however be safely sent in a fashion such as XXX-XX-7191. That's enough information for the recipient to unambiguously tie his account or credit card number back to the subject of the email without divulging anything of importance to anyone else.

While these rules must be followed, it's also important to not exaggerate the threat. Email is at least as secure as standard physical mail. There are only two places to reliably tap into the flow of email: at the sender's location and just outside the door of the recipient. The volume of traffic elsewhere on the internet makes the search fundamentally impractical.

What then can be sent reliably? There is a more or less obvious threshold. An overdraft notice might look like:

Dear Wirt:

We have transferred funds from your savings account to cover checks written against your Account No. XXXX7191. These checks were:

Check No.	Payee	Amount
1328	Savon Groceries	123.45
1331	South's Chevron	16.23

No fees were charged against either your checking or savings account in this transfer. This notice is being sent merely for your information. You need take no action. Please contact us if you have any questions.

Best regards,
Your team at First Universal

If this email should fall into the wrong hands, there's no critical information being divulged. The benefit to the customer of receiving this notice far outweighs that risk. It's an email that would be appreciated, even if it is a bit of bad news.

E-statements are another matter altogether. There's just too much information in a bank or credit union statement to be sent by email, regardless of how little actual risk that email might be inappropriately seen by someone else. But there's also a simple solution. Send emails saying that the user's newest statement is on-line – and provide a hyperlink in the text back to the use's specific webpage, where the user can see his statement after typing in a PIN number. This is not only safe, but it's quick and convenient as well.

Be Bandwidth Aware

Although estimates vary somewhat, it's generally agreed that about 150 million people in the United States now have internet connections. Of these, 120 million access the internet at speeds 56K or less. Unfortunately, it's likely to stay this way for quite some time. Bandwidth is like money. If you have lots of it, you hardly notice it. But if you don't, it's all you think about.

Text-based emails go through the slowest modem with ease. But that isn't necessarily true for HTML email, especially if the email is graphics intense. HTML fonts and background colors cost very little. They're as cheap to send as plain text. It's the graphics that bear the burden of the transmission. One small graphic can consume many more times the number of bits to transmit as the remainder of the message.

If you do send graphics – and they *do* make an email look significantly better – keep them small and well compressed. Try to use the same graphics repeatedly. Your company logo could easily remain in the user's local cache, from one email to the next, even if those emails are sent weeks apart. If that happens, the user only has to download the logo once. Every time afterwards, its use is free.

Should you send something like your corporate newsletter to everyone you have in your database of permitting recipients? Probably not. First of all, it violates the most basic rule of insuring that every one of your emails is a “me-mail.” There's not likely to be anything sufficiently personal in the newsletter to warrant its transmission by email. Secondly, the newsletter is almost certainly likely to be graphics intense. You can't let your pride of authorship, no matter how hard you worked on the newsletter, overcome these two most important rules. But you can include a hyperlink in the “*your e-statement is now on-line*” email. Doing this is as quick and convenient for the recipient as receiving the newsletter by email, but it puts him in control of what he wants to see, and when he wishes to see it.

Our Advice Summarized

If you wish to effectively use CUSoon to build customer loyalty and satisfaction, our few pieces of advice are quite straightforward:

- Make every email personally important to the recipient. Make every email you send a “me-mail.”
- Be polite. If anything, err on the side of excessive politeness.
- Send less rather than more. Don't waste your credibility or your customer's time on low-importance emails.
- Provide an easy mechanism for the customer to respond.
- Carefully target your audience for each email.
- Be security and privacy conscious about what goes into each of your emails.
- Be bandwidth aware. Minimize the unnecessary use of graphics.

Show Me the Money

Creating a customer-based CRM program using CUSoon is a relatively trivial process, both in dollars and time, but the bottom line remains the bottom line. The fundamental question is: is doing this going to do anything substantial to increase my revenues – or am I just wasting my time?

To a degree, a revenue increase has been implied throughout this document, as in the case of UT Federal Credit Union sending pre-approved loan offers to qualified members. But if you only emphasize these sorts of short-term returns, you're going to be skating dangerously close to becoming a spammer yourself, and in the process, ruining whatever credibility and trust you've created with your clients to date. Constantly sending promotional offers would have you doing precisely what you shouldn't be doing if your intent is build customer loyalty.

In any enterprise, some customers will be more profitable than others, and acquiring new customers is a costly proposition that often catches as many unprofitable prospects as it does profitable ones. Consequently, it's difficult to understand why so many companies spend vast sums of capital to acquire new customers with unknown potential, while paying little or no attention to the flood of high quality customers they lose every day. This situation is especially paradoxical given that profitability and growth are so strongly linked to acquiring and retaining the right customers.

When a company fails to manage its customer relationships as the valuable assets that they are, it also fails to maximize its growth and profit potential. By increasing the customer retention rate just 5%, a business can increase customer NPV by between 25% and 100%, and thereby significantly increase profits. It is thus somewhat surprising to learn that most companies lose between 10% and 30% of their customers (Poché, 2001).

The battle for sales gain through market share improvement, which is ultimately the goal of every good manager, will only be won “the old-fashioned way,” by getting close to the customer and delivering large doses of customer satisfaction with each transaction (Hensel, 1985).

Loyalty-oriented management practices avoid an excessive preoccupation with short-run accounting results and focus instead on improving value and reducing customer-asset defections. When a company manages for customer loyalty, three favorable economic effects accrue:

- Revenues and market share increase as the best customers are attracted and then retained in the company's business. These high-quality customers build strong repeat sales and referrals.
- Because managing for customer loyalty is based on a strong value proposition, the organization can be more selective with respect to new customer acquisition and concentrate its investments on the most profitable and potentially loyal prospects, further stimulating growth and profitability.

- Mature customers can be more effectively served, resulting in increased productivity and generation of a cost advantage that is difficult for competitors to match.

Clearly, this perspective must be given some thought by senior management. Customer loyalty is not simply a matter of marketing. It demands a comprehensive reconsideration of core strategies, operating principles, and business practices. Perhaps most importantly, the shift to loyalty-based management requires a move away from single-mindedly focusing on current period profitability (Poché, 2001). As Claes Fornell wrote, satisfied customers are the most consequential of all assets; they are the proxies for all of your economic assets combined. When a customer says “*I love doing business with you,*” or “*I love your new service,*” you’ve just at that moment significantly cut your costs associated with customer loss and new client recruitment – and simultaneously increased your future revenue stream.

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