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CUSTOMER RETENTION MANAGEMENT IN THE INFORMATION ERA

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WITH the coming of so many multinationals customers didn't have it so comfortable. But this comfort on the part of the customers has resulted in sleepless nights for the companies. Each marketer is afraid of the customer switching from their to another's brand. Delivering customer value has become the thing for the marketers. However delivering customer value involves many approaches. Here the researchers have tried to concentrate and focus on a very important approach, which is the CRM or Customer Relationship Marketing approach.

This paper seeks to present an insight into the critical areas of CRM and Loyalty. It also delves into various CRM interventions available in the industry today. This paper endeavors to look into aspects like Customer value, CRM approach, and various related concepts available. It's a sincere attempt on the part of the researchers to present an academic picture of the concept of Customer Relationship marketing.

Introduction

In the present age of cut throat competition supplies far out number the demand for commodities. With the ushering of an era of economies of scale there has been a commoditization of products including that of expensive consumer durables. This has lead to a range of brands available at the disposal of the customer. This has pampered the customer to such an extent that he is always demanding more from the manufacturer.

Such a scenario has lead to the premise that customers will buy from the firm that they perceive offers the highest customer delivered value (Kotler, 2000). Coming to Customer Delivered Value it is the difference between the Total Customer Value and Total Customer Cost. Customer Value here denotes the sum of values of Product, Services, Personnel and Image value. Customer cost here represents the sum of Monetary, Time, Energy and Psychic costs.

Take McDonald's. Everyday an average of 38 million people visit its 23,500 restaurants in 109 countries. People just do not visit them because they love hamburgers. In fact some other restaurants make better tasting hamburgers. Actually people value what McDonald's terms as the QSCV or quality, service, cleanliness and value.

Customer Attitude – A Sequential Change

There were days when people brought in products and showed it to the awe of the people around. Then came the time when people imagined things unique and the makers obliged. Then came the time when every little change signified a new product, a time when such a new product went unnoticed as a change. This is the changing market scenario. Yesterday the shopkeepers commanded price for innovative products, today with all their innovation, they have to strive to be in the sight and memory of their customers.

Diverting the attraction of the customer involved huge spending but with mixed results. After some time, even this became a fight of sorts as seen when prince vied for the hand of the beautiful princess at a "swayamvar." It became survival of the fittest. Then came an arbitrary calculation, which then was treated as a futile exercise but whose results brought to the forefront, something which made everyone wonder at their rationality. It was found that it was much cheaper to retain a customer than the cost of loosing him or making an equivalent number of new consumers. Was this true, people wondered and finally calculated it to be absolutely true.

Customer Satisfaction

Initially for companies either customers were there or not. Most companies refused to acknowledge that there was another segment of "can be." While this is an easy categorization, the yes-no relationship misses the reality of customer-provider relationship.

There can be five stages of customer's life cycle (Michael, 1997) in an organization:

Acquisition	Winning the prospect; making of a prospective customer.
Retention	Keeping the customer to obtain the economic benefit of a long term Relationship
Attrition	Breaking down of loyalty; unfulfilled demand; problems and complaints causing customer to reduce or terminate purchase
Defection	Ending the relationship; the customer has gone to a competitor for product or services
Reacquisition	Getting the customer back; new initiatives or problem correction resulting in the customer coming back to the company.

Customer Relationship Management (CRM)

It is the process of understanding your customers' needs and developing personalized relationships with them in order to instil a sense of loyalty and retention.

CRM makes customers feel respected, and feel that their needs are being addressed. It involves an investment of time and effort for customers to explain their preferences and needs to you.

Excellent customer service is a necessary starting point for CRM.

Customer retention is the key business issue to stay ahead of its competitors increases profitability and improves investor confidence. There are no simple solutions; companies must adopt aggressive strategies, which cut across the customer lifecycle and underpin all business processes.

To analyze the concept of CRM, we need to investigate as to why that customer is so important – the same one who makes us run, innovate and serve and is still not happy.

CRM Interventions

Customer retention to satisfaction is a part of the value delivery process and can be delivered by keeping the following points in mind:

Excellent customer service is a necessary starting point – Better customer service is the watchword today. With companies literally roaming with fruit baskets under the customers nose for them to smell, you have to make those customers eat your basket.

Integration of service across customer contact points – In terms of the same fruit basket, you have to make sure that at any point of time, you can offer every type of fruit you grow. Basically what is meant is that your whole product range should be easily accessible to the customer.

Design interactive customer processes across media – Provide seamless service across media. Tie together sales force, Internet and call center for data collection, data sharing and service consistency.

Customer Database – A comprehensive customer database is a strong foundation for understanding your customer. Collect and share data across all media of customer contact. Everything that is discovered about customers should be tracked, especially needs, preferences, and purchase behavior. Information on demographics, psychographics, and lifestyle are also beneficial for segmentation and cross-sell programs.

Personalization/Choice – Provide your customers with choice on content, service, and delivery media. Provide varying levels of service and product offerings based on customer value, and needs. Research is needed to determine customer needs and expectations. A very good example can be given from Whirlpool, where they said – "you design our products," wherein they tried to design their products; keeping consumer needs and wants in their minds.

Value-Added Services – Consider the individualized needs of your most valuable business customers to make them more efficient and/or more valuable to their clients. For example, assist them in customer business development and customer handling. Conduct research to determine your business clients' needs and expectations.

Customer Valuation Analytics – Two basic premises (also in CRM) are to treat customers differently based on their value and to increase customer value over time. Which consumer needs how much effort to be retained and whether he should be retained is purely decided on the study of various factors like loyalty, stringency etc., called as Customer Values and how customer values are changing. All customers have a current value[1] and a potential value[2] – as measured by your share of customers' total business. Track customer retention and defection rates to evaluate the impact of your customer retention efforts.

Needs Analysis – Determine the needs and expectations of your customers in terms of product attributes, service, new products, transactions, information and documents provided, website features and customization. These needs should be evaluated on basis of hierarchy, time and level of need. Its necessary sometimes to prioritize and make trade-offs between sets of needs. Expectations are a more finite set of requirements where the tolerance level is high and unacceptable performance can be modelled to expectation.

1 The amount of business a consumer is giving right now is his Current Value.

2 The amount of business we can expect from the consumer in future is his Potential Value.

Customer Dialogue – Customer research dialogue programs with select groups of current or defected customers. Dialogue programs with small samples are revealing when you draw out emotional, honest feedback. These quick programs offer high value. The most cost effective approach is to have skilled interviewers talk to people by phone. Pyramid uses highly effective interviewers who are seasoned professionals. Having an independent third party perform market research by speaking to your business and retail customers allows for more truthful feedback and elimination of the bias in customer/provider perceptions. Samples may be drawn from your most valuable existing customers or from those with the highest potential value.

Lost Customer Interviews – Find out why shifted consumers have switched, what competitors they have switched to, and what they think about the competitors' product/service bundle. Win back some defectors, and learn useful lessons to prevent others from switching.

Complaint Discovery – Proactively elicit complaints from your most valuable customers to identify problems, identify possible defectors before they switch, and determine the reasons for defections. Ninety to ninety-eight percent of defectors never initiate a complaint, they just switch. Remember that needs and complaints change over time.

Individualized Marketing Campaigns (Weinstein and Johnson, 1999) – Design cross-sell campaigns based on individualized needs in order to increase customer values (for example: A Lux soap with a Pepsodent Toothpaste at a reduced price package). Response rates are typically in the vicinity of ten percent vs. two percent for other direct marketing campaigns.

Thank You and Cross-Sell Calls – Tell your best customers that you appreciate their business, attempt to sell additional products that meet their needs and ask if there is anything else that can be done for them. Are your best customers worth the effort?

Employee Programs – Loyal employees ensure loyal customers. It's seen that a company with lesser turnover of employees has a lesser customer turnover because of the personal contacts these employees develop with the customers. Empowerment of customer contact personnel to satisfy problems on the first contact.

Product and service attributes are important, but what is the level of importance? Let the customer describe these without structure or prompting. These are the attributes that should be measured in customer satisfaction surveys. That is the major content of such surveys conducted on what a consumer looks for in a particular type of product.

Let intermediaries[3] explain what value-added services they need to help them sell or service their customers. The intermediaries are the people who actually face the end consumer and hence are in a better position to explain the consumer psyche and what they actually expect from a product.

Loyalty Index

Customer satisfaction does not guarantee retention, loyalty does. Therefore, loyalty measurement should be an ongoing supplement to customer satisfaction measurement.

Determine how loyal your customers are.

Benchmark loyalty against competitors.

What factors lead to your customer's loyalty?

3 The intermediaries are the dealers, shopkeepers and sales force selling the product.

Customer Loyalty

The term "Customer loyalty" is explained as the purchases from the company by its customers as expressed as a percentage of their total purchases from all suppliers of the same product (Kotlar, 2000). It is not about a customer being loyal like a best friend; customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. It's a similar idea to the packaged goods notion of branding, where customers may be described as being "brand loyal".

Customer Loyalty has become an omnipresent term for the results of the process happening in the background of all the marketing approaches where customer data is used. You can say "Relationship Marketing" or "Database Marketing" or "Retention Marketing" or "Permission Marketing" or "CRM", and what you are really talking about is trying to increase customer loyalty. Increased customer loyalty is the end result, the benefit, of these programs, which are all based on customer retention techniques.

You probably care about how much you spend on these marketing promotions. Ideally, instead of blasting out expensive stuff to customers, you would like to spend money on such customers who are most likely to do whatever you want them to, and not waste money on those who are not.

Customer Profile (.com)

Many people think using your customer data is about creating a customer "profile". It's a hot topic. Everybody wants to do it. But what's a customer profile? Here are two kinds of customer profiles:

✍ Customer is married, has children, lives in an upscale neighbourhood, and reads Time magazine

✍ Customer visited the site every day for two months, but has not visited the site at all in the past two weeks

The first profile[4] is demographic, a set of characteristics. The second profile is behavior-based, involving what the customer is actually doing. Which seems more important to you?

They're both important in their own ways. For someone selling advertising, or deciding on content for a website, the first profile is usually important, because it defines the market for ad sales and provides clues to editorial direction. These are important considerations in attracting customers and generating revenue in the first stages of an online project.

The second profile is about action, behavior, and for anybody concerned about what their customers are doing, is more important than the first. Will they visit again? Will they buy again? These are the questions answered by looking at behavior. Customer behavior is a much stronger predictor of your future relationship with a customer than demographic information[5] ever will be. You have to look at the data, the record of their behavior, and it will tell you things. It will tell you "I'm not satisfied". It will tell you "I want to buy more, give me a push." It will tell you "I think your content is boring".

The second type of profile is more important in the longer run, because if the customer stops buying from or visiting the site, you're not going to have much of a chance to serve up the customized pages or ads based on any "profile" given to you. You could customize the product based on

4 Profile is basically the parameters on which you segregate your consumer segments.

5 Demographic factors are the physical attributes like age, sex etc.

demographics or self-reported survey data and customers would never see the results if they don't come back customer behavior profiling is critical to a company interested in retaining customers and increasing their value.

Behavioral Aspect of CRM

This brings us to the behavioral aspect of Customer Retention Marketing. Comparing satisfaction vs. customer retention, we observe that though largely considered to be synonymous, there are vast differences between the two simply based on their approach patterns. The former is targeting how to satisfy the customer so as to hold him back. It suggests all the measures that facilitate a part of customer retention but customer retention also looks after the recall of lost customers and how that is managed. Thus, CRM is a more dynamic field than CSM (Customer Satisfaction Marketing).

Competitor Movement is another important part in the process to retain customers. Every movement of the competitor should be monitored and counteracted effectively with better set of advantages visible to the customers.

So, arriving at the amalgamation of the above points we arrive at what has been so far referred as **CRM** or **Customer Retention Marketing**. This is more popularly referred as **relationship marketing** too.

Thus so far as we can summarize in layman terms from the above discussion so far key strategies in actual action would include:

- Incentives and tariff bundles, which target the most profitable customers
- Loyalty schemes, which are appropriate to the value of the business, saved
- Acquisition strategies, which attract the right type of customer, reducing fraud and bad debt
- Proactive customer service
- A commitment to quality in all aspects of the business.
- Relationship Marketing Overview

Relationship marketing is about having an indirect conversation with the customer through analyzing their behavior over time. Relationship marketing uses the event-driven tactics of customer retention marketing, but treats marketing promotion as a process over time rather than single unconnected events.

The relationship marketing process is usually defined as a series of stages, and there are many different names given to these stages, depending on the marketing perspective and the type of business. For example, working from the relationship beginning to the end:

Interaction > Communication > Valuation > Termination

Awareness > Comparison > Transaction > Reinforcement > Advocacy

Suspect > Prospect > Customer > Partner > Advocate > Former Customer

During this relationship process, you customize programs for individual consumer groups and the stage of the process they are going through as opposed to some forms of database marketing where everybody would get virtually the same promotions, with perhaps a change in offer. The stage in the customer Lifecycle determines the approach used with the customer.

A simple example of this would be sending new customers a "Welcome Message", which might have an incentive to make a second purchase. If 60 days pass and the customer has not made a second purchase, you would follow up with any alternative like mail or personal contact etc. For example LG, a few months back, invited all those consumers who had bought their products in the last one year, for a show of a hit Hindi movie with the added incentive of giving more prizes for every additional product purchased within the next three months on showing the ticket.

Let's say a customer buys your product frequently and then just stops. Something has happened. They are unhappy with the content, or they have found an alternative source. Or perhaps they're just plain not interested in the subject anymore. This inaction on their part is a flag telling you something has happened to change the way this customer thinks about your product and perhaps your service.

You should react to this and then look for feedback from the customer. If you improve the content, send them a notice, and the customer starts visiting again, the feedback has been given. The cycle is complete until the next time the data indicates a change in behavior, and you need to react to the change.

Let's say this same customer then makes a first purchase. This is an enormously important piece of data, because it indicates a very significant change in behavior. You have a new relationship now, a deeper one. You should react and look for feedback. You send a welcome message, thank the customer for the trust they have displayed in your product, and provide a second purchase discount. Then you await feedback from the customer, in the form of a second purchase, or increased purchases. Perhaps you get negative feedback, a return of the first purchase. React to this new feedback and repeat the process.

Another example would be to watch for and reinforce changes in product affinity, as customers tend to begin with a certain type of purchase or content and migrate to a different area. It can be beneficial to "steer" customers through promotions along this path if the migration is profitable to the business.

Customer Retention Marketing: Some Touchstones

Customer Retention Marketing is a tactically driven approach based on customer behavior. It's the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing, and so forth. Here's the basic philosophy of a retention-oriented marketer:

1. Past and Current customer behavior is the best predictor of Future customer behavior. Think about it. In general, it is more often true than not true, and when it comes to action-oriented activities like making purchases and visiting web sites, the concept really shines. We are talking about actual behavior here, not implied behavior. Being a 35-year-old woman is not behavior; it's a demographic characteristic.

2. Customers want to win at the consuming game. They like to feel they are in control and smart about choices they make, and they like to feel good about their behavior. Marketers take advantage of this by offering promotions of various kinds to get consumers to engage in behavior and feel good about doing it. Customers like to "win".

   Promotions encourage behavior. If you want your customers to do something, you have to do something for them, and if it's something that makes them feel good (like they are winning the consumer game) then they're more likely to do it. This thought can be extended more easily to a physically brought over product in a mall.

3. Marketing is a conversation, Permission Marketing have pointed out (if you haven't read these works on this, you are doing yourself a disfavor). Marketing with customer data is a highly evolved and valuable conversation, but it has to be back and forth between the marketer and the customer, and you have to LISTEN to what the customer is saying to you.

4. Retention Marketing is about allocating marketing resources. All businesses have limited resources. When you spend Re1.00 on marketing, you are looking to make back more than Re1.00 in PROFIT (not sales). If you can't make back Re1.00, the Rupee is not worth spending. Given multiple places to spend the marketing Rupee, if you can get back Rs.1.20 in one place and only Re 0.90 in another, wouldn't you rather spend it where you get Rs.1.20 back? This approach is called Return on Investment, or ROI, and is the reason why you want to do Retention Marketing. Retention Marketing is one of the few marketing methods allowing you to accurately measure true ROI.

Customer Model Concept

Marketers who use customer data often talk about "customer modeling" instead of customer profiling. Modeling is kind of like profiling, but it is action oriented. Models are not about a static state, like "Customer is 50 years old". Models are about action over time, like "If this customer does not make a purchase in the next 30 days, they are unlikely to come back and make any further purchases".

This kind of model sounds so mystical, and it is. To see a mathematical model predict customer behavior is astonishing, to say the least. The model says, "Do this to these people and they will likely do this". The marketer goes out and does what the model says, and like magic, a good bunch of the customers do exactly what the model said they would. It works like a charm – usually.

What is a model? Simply, it looks at customers who are engaging in certain behavior and tries to find a commonality in them. The marketer might say to the manufacturer who designs the customer model, "Here's a list of our very best customers, and here's a list of our former best customers. Is there any behavioral signal a best customer gives before they stop shopping? What does the data say?" And they will help you increase profits through understanding how customers are likely to behave.

You can use your models to answer some basic marketing questions about your customer base. Questions you no doubt have asked many times yourself, such as the following:

> The data is, in effect, speaking for the customer, telling you by its very existence (or non-existence) there has been an action, and it's waiting for a reaction. An action or inaction is a raising of the hand by the customer, and the retention oriented marketer sees the raised hand, but also reacts to it, then looks for the hand to be raised again.

- ✍ Who do I mail offers to? When do I mail them? How often?
- ✍ Should I promote to some customers more often than others? (Yes)
- ✍ How much incentive should I provide to get a customer to do something?
- ✍ How can I tell when I'm losing a customer?

- ✍ How can I put a value on my customers and the business as a whole?
- ✍ Is my business strong and healthy, or becoming weaker?
- ✍ What can I expect in future sales from my existing customers?

Measuring Customer Loyalty - The Easy Way

In the ongoing search for developing ways to measure the success of products, stickiness, (or the amount of time a person spends for the product), has been put forth as an important concept. Those in favor of using stickiness to measure success say the longer a person puts time, the more interested and satisfied they are with what the product is offering. Is this always true?

Let's think about that for a minute. Why would a customer put in time for a product he doesn't like? Maybe he is searching for substitute, maybe the product performance is bad everywhere he goes etc. So maybe Hurdle point[6] is a good measurement, maybe it's not. But on a large scale it does sometimes give a good measure.

Wouldn't you like to be able to understand how your website appeals to visitors or buyers over time? If you could measure this kind of stickiness, you could make adjustments to the site to encourage repeat visiting. Translating this into products, it depends on the value being offered to the customer and his requirement. This is where the measure of value comes up.

Why does all this matter? Because it's been shown over and over that past consumer behavior is the best predictor of future behavior. *Past behavior is a much better predictor of future behavior than demographics ever will be.* A visitor or buyer who repeats their behaviour is more likely to continue repeating it. So if the percentage of your repeating visitors or customers is rising, then your future business will be stronger than it is today. If the percentage of repeaters is falling, your business will be weaker in the future. These repeat behavior is a strong indicator of customer loyalty to your site - it's a model of " likelihood to return" or "likelihood to buy again".

There will be huge differences in repeat rate when examining the first experience the customer has with your product. You can use these differences to provide clues for product value optimization[7]. Using this very simple technique for tracking the loyalty of your customers, at least you will know there is a question to ask.

Customer Retention - Good marketers have two objectives with any kind of customer retention marketing:

1. Hold on to the most valuable customers

2. Try to make less valuable customers more valuable

Retention marketing programs are designed to react to and prevent customer defection while growing the overall valuation of the customer base.

6 Hurdle Rate - the percentage of customers demonstrating a certain level of the behavior being profiled.

7 That is to say that our product really provides optimum value to the consumer or needs to pull up in certain sectors.

Data-Driven Marketing

Customer retention oriented marketing approach using customer behavior profiles, not demographics, to determine the targeting, timing, and content of marketing promotions.

Rules of Data-Driven Marketing – Four rules underlying all Data-Driven marketing programs:

1. Data-Driven Marketing is about allocating marketing resources. Customer profiles are used to select marketing approaches generating the highest profit, and to avoid promotions with the lowest profit.

2. Past and current customer behavior is the best predictor of future customer behavior. Customer profiles using demographic characteristics are not nearly as effective in predicting the likelihood of the next visit or purchase as profiles of customer behavior.

3. Customers want to win at the consuming game. They like to "feel good" about decisions they make, and marketing promotions (discounts, sweepstakes, special benefits, etc.) are designed to encourage these feelings.

4. Data-Driven marketing is all about:

   Action – Reaction – Feedback – Repeat

Marketing with customer data is a highly evolved and valuable conversation, but it has to be back and forth between the marketer and the customer, and you have to decipher to what customers want to communicate to you through their actions or non-actions.

Data is Speaking - If customer data is organized and visually displayed in specific ways, it can "tell", or speak to, the dynamics of a business. The data is, in effect, speaking for the customer, suggesting how and when promoting to specific customers and flagging potential problems in the business.

CRV Model (www)

More prominently known as the Customer Response, Retention and Valuation model it lays down certain fundamental guidelines for retaining the customers on the basis of their responses.

Certain Observed Rules:

1. Customers who purchased **recently** were more likely to buy again versus customers who had not purchased in a while

2. Customers who purchased **frequently** were more likely to buy again versus customers who had made just one or 2 purchases

3. Customers who had **spent the most money** in total were more likely to buy again. The most valuable customers tended to continue to become even more valuable.

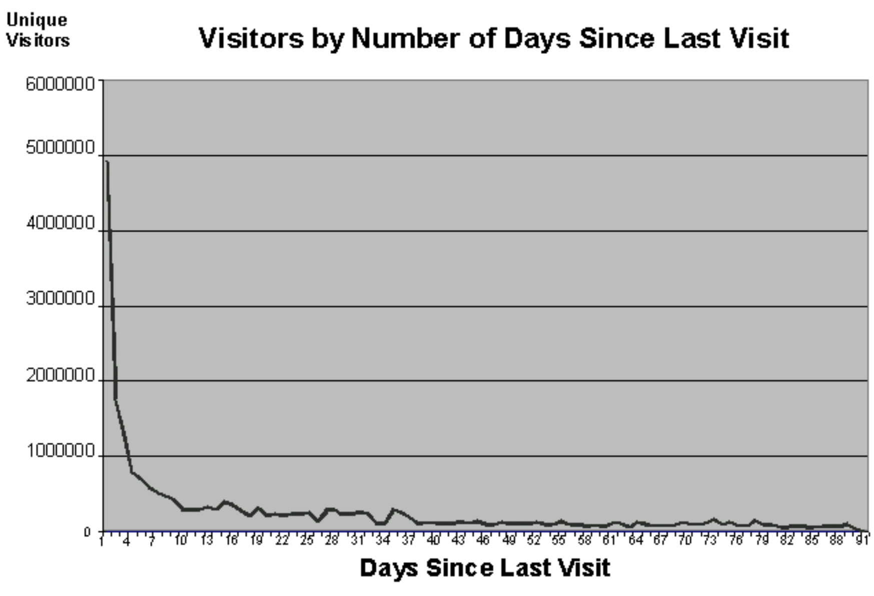
This lays the basis for the RFM model. The Recency, Frequency, Monetary value (RFM) model works everywhere, in virtually every business. And it works for just about any kind of "action-oriented" behavior you are trying to get a customer to repeat, whether it's purchases, visits, sign-ups, surveys, games or anything else. I'm going to use purchases and visits as examples.

A customer who has visited your site Recently (R) and Frequently (F) and created a lot of Monetary Value (M) through purchases is much more likely to visit and buy again. And, a high Recency / Frequency / Monetary Value (RFM) customer who **stops visiting** is a customer who is finding alternatives to your site. It makes sense, doesn't it?

Customers who have not visited or purchased in a while are less interested in you than customers who have done one of these things recently. Put Recency, Frequency, and Monetary Value together and you have a pretty good indicator of interest in your site at the customer level. This is valuable information to have.

Assuming the behavior being ranked (purchase, visit) using RFM has economic value, the higher the RFM score, the more profitable the customer is to the business now and in the future. High RFM customers are most likely to continue to purchase and visit, and they are most likely to respond to marketing promotions. The opposite is true for low RFM customers; they are the least likely to purchase or visit again and the least likely to respond to marketing promotions and any similar activities directed at them. For these reasons, RFM is closely related to another customer direct marketing concept: Lifetime Value (LTV). LTV is the expected net profit a customer will contribute to your business as long as the customer remains a customer. Because of the linkage to LTV, RFM techniques can be used as a proxy for the future profitability of a business.

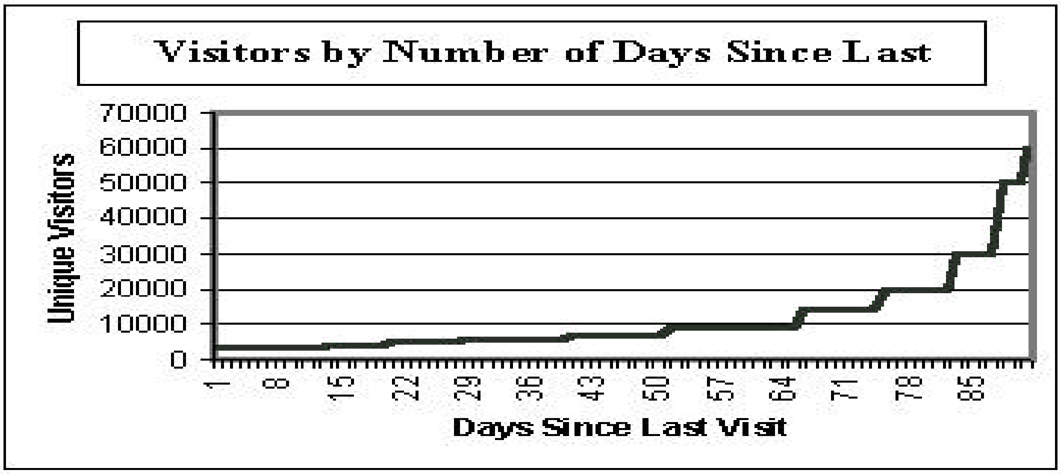
High RFM customers represent future business potential, because the customers are willing and interested in doing low LTV, and are a flag something needs to be done with those customers to increase their value business with you, and have high LTV. Low RFM customers represent dwindling business opportunity.



Graph I

Example of a graph of customer Recency (time elapsed since last activity) based on last visit (or page view) date. The number of unique visitors is on the left (y-axis) scale; the number of **days since last visit (or page view)** on the bottom (x-axis) scale. Customers are plotted by the number of days since their last visit (page view) These guys have a great business. Virtually all their customers have visited in the last 10 days! As is evident by the high rising part of the graph I which extends to a value of ten at the x axis. This actually means that fifty lakh people (as on y axis) have revisited the site within ten days (as on x-axis)

Now take a look at this second graph below. Once again, a graph of customer Recency, based on last visit (page view) date. Unique visitors are on the left (y-axis), and days of revisit (x-axis). Interpreting the above just 20 thousand people (as on y-axis) revisited in the first eighty days (as on x-axis)



Graph II

They'll be lucky to keep the visitors they have. They need to make major changes.

Conclusion

Understanding customer retention is extremely important to the entire direct model of doing business with consumers. The secret to good customer retention is to acquire the right customers in the first place. So understanding customer retention is extremely important to the entire direct selling model of doing business with consumers, both for customer acquisition and retention. Good retention marketers have two objectives with any kind of customer retention marketing:

1. Hold on to the most valuable customers

2. Try to make less valuable customers more valuable

To retain and increase the value of customers, you have to create marketing promotions and execute them. To do this in the most efficient and effective way, you have to know the value of your customers and their likelihood to respond to a promotion, for these two reasons:

1. You don't want to waste money on promoting to low value customers because you can't make a profit.

2. You don't want to waste money promoting to customers who won't respond because this is just throwing money away.

At a time when the proactive companies are thinking to remain out of red and maintain a competitive edge it has to emphasize on Customer Retention Marketing. It's not a new paradigm; it's simply a better one. It's a path to choose with the added benefit that the map of the path is easy to follow.

It is not good to settle into a set of opinions. It is a mistake to put forth effort and obtain some understanding and then stop at that…. Do not rely on the following degree of understanding that you have discovered, but simply think, "This is not enough."

Hara-kiri, The Book of Samurai

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Appendix: Some Vocabulary Used in CRM

Hurdle Rate – the percentage of customers demonstrating a certain level of the behavior being profiled. Looking at Hurdle Rates for certain customer profiles over time is predictive of future strength or weakness in a business. For more information on using Hurdle Rate techniques, read the "advanced" articles at the end of the Drilling Down Tour.

Customer Lifecycle – predictable patterns in customer behavior occurring from the first interaction with a business through the last. Time is the most overlooked and under utilized tool in the Data-Driven marketing toolbox but one of the most powerful. You can see the strength of time's influence in the importance of Recency, the most powerful of the modeling variables.

Lifetime Value (LTV) - the net profit a customer contributes to a business over the entire Lifecycle. Generally calculated as gross margin or contribution to overhead minus the promotional costs of acquisition and retention, including any discounts.

RFM – stands for Recency, Frequency, Monetary value. A method of ranking a customer relative to all other customers in their likelihood to respond to promotions and ranking the customer's future value to the company.

ROI – stands for Return on Investment. In the classic definition, it's the amount of money spent divided by the net profit generated over a defined length of time. More on ROI (from the Site Method Tour).