

Relationship Marketing

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What is relationship marketing?

- Marketing designed to create, maintain, and enhance strong relationships with customers and other stakeholders.

Why is it important?

- It costs five times as much to attract a new customer as it does to keep a current one satisfied.
- It is claimed that a 5% improvement in customer retention can cause an increase in profitability of between 25 and 85 percent depending on the industry.
- Likewise, it is easier to deliver additional products and services to an existing customer than to a first-time “buyer.”

Six types of markets

1. internal markets
2. supplier markets
3. recruitment markets
4. referral markets
5. influence markets
6. customer markets

Customer Lifetime Value

- Losing an existing customer means losing the entire revenue stream that customer represents – not just that single encounter or sale.

Attracting, retaining and growing customers

- Customer delivered value – the difference between total customer value and total customer cost.
 - Value includes product, services, personnel and image value.
 - Cost includes monetary, time, energy and psychic costs.

Customer satisfaction

- The extent to which a product or service's perceived performance matches a buyer's expectations.
- What are expectations based on?
 - Past buying experiences
 - Friends, family and other associates
 - Information about the competition
 - Promises made in marketing materials (your brand)

Customer loyalty & retention

- Highly satisfied customers are:
 - Less price sensitive
 - More likely to talk favorably about you
 - More likely to refer you to others
 - Remain loyal for longer

Growing “share of customer”

- Increasing the share of the customer’s purchasing in your product category.
- Best way is through **cross-selling**
 - Getting more business from current customers by selling them additional or complementary services

Managing your customers

- Relationship marketing is designed to create, maintain, and enhance strong relationships with ***profitable*** customers and other stakeholders.
- First need to define what your profit is on specific services...

How to calculate profit

- In most business:

Gross income – (cost of goods + expenses) =
net profit

- In healthcare:

Reimbursement income – (cost of goods +
expenses) = net profit

Calculating profit

- Reimbursement rates of 55% of dollars billed. For every \$1 billed to a payer, only \$.55 is collected.
- The cost to provide the service is approximately 50% of dollars billed. This cost is the sum of the cost of goods and total expense. So, for every \$1 billed to a payer, it costs \$.50 to provide the service.

Calculating profit

- Reimbursement income (\$.55) – (cost of good + expenses) (\$.50) = net profit (\$.05)

Not all customers are the same...

	Highly profitable customer	Mixed-profitability customer	Losing customer
Highly profitable product	++		+
Profitable product	+	+	
Mixed-profitability product	+		-
Losing product		-	-

Delivering customer value & satisfaction

- Not just the people in charge of marketing are in charge of marketing.
- Must have an effective value chain focused on serving the customer.
- Employees need to be trained and understand what expectations are for customer service – and
- Need to be empowered to address certain situations.

Customer satisfaction

- Satisfaction surveys
 - Available at the end of the appointment or included in the billing statement – or online
 - Don't forget your referral sources
 - One-on-one interviews are best
 - So what do you do with the data?
 - Third party reports are best (don't shoot the messenger)
 - Turn the results in to meaningful changes
 - Follow-up on specific complaints or incidents – no matter how trivial – especially with referral sources

Referral sources

- How do you communicate with them?
- Who communicates with them?
- Do you get feedback from them?
- Do you get feedback to them?

So what is CRM software?

- Customer Relationship Management software allows tracking and analysis of each customer's purchases, preferences, activities, tastes, likes, dislikes, and complaints.

Three aspects of CRM systems

- Operational
- Collaborative
- Analytical

Operational CRM

- Provides support to "front office" business processes, including sales, marketing and service. Each interaction with a customer is generally added to a customer's contact history, and staff can retrieve information on customers from the database when necessary.
- Main benefits is that customers can interact with different people in a company over time without having to describe the history of their interaction each time.

Collaborative CRM

- Covers the direct interaction with customers, for a variety of different purposes, including feedback and issue-reporting. Interaction can be through a variety of channels, such as web pages, email, automated phone systems.

Analytical CRM

Analyzes customer data for a variety of purposes:

- Design and execution of targeted marketing campaigns to optimize marketing effectiveness
- Design and execution of specific customer campaigns, including customer acquisition, cross-selling, up-selling, retention
- Analysis of customer behavior to aid product and service decision making (e.g. pricing, new product development etc.)
- Management decisions, e.g. financial forecasting and customer profitability analysis
- Prediction of the probability of customer defection (churn).

When CRM works best

- When it is combined with an enterprise wide system (billing, medical records, HR systems)
- When it is implemented company wide
- When compliance with data collection is tied to compensation
- When it is easy to use (fast, streamlined, reliable)
- When report results are shared and not buried
- When patient privacy is respected

Personalized marketing

- How can you make the Amazon model work for you?

New clients

- Identify new prospects based on the attributes of current, profitable customers
- Prioritize them – can use other criteria besides profitability
- Develop a relationship plan
 - Direct mail/email
 - Personal meetings
 - Speaking engagements/thought leadership

New clients

- Assign top prospects to specific people
- Provide tools to help them keep in touch
 - Invitations to events (charity events, lunches, conferences, tours)
 - Thought leadership (white papers, CMEs)
 - Direct mail/email materials (newsletters, surveys, blogs)
- Enter them into CRM system as prospects and track ongoing communication

The bottom line...

Relationship marketing is a necessary tool
for growing your business.