



Best Practices for Customer Communication

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Communication Matters

Companies doing business online, especially those selling digital products and services, face many unique challenges. One of the most critical is effectively communicating with prospective and current customers. In a daily life overloaded with blogs, email, text and social network updates, gaining the attention of your customer is increasingly difficult. In addition, consumer and innovative companies are shifting towards advanced commerce models, such as subscription or consumption models, for their favorite products and services. All of which necessitate new rules and new types of communications.

An effective communication strategy must address all stages of the customer lifecycle, from acquisition to retention to end-of-life to marketing to past customers (re-marketing), and define the types of communication that are relevant at each level.

We have witnessed numerous best practices both from our first-hand experience and from working with our innovative digital businesses. Three notable examples are:

▶ **Reinforce the benefits of your service and company in every communication.**

Email is often the primary source of contact with your customers and users. It is important that people actually take the time to read your email, and that is much more likely to happen if they receive value from it. This value can be as simple as providing tips to increase efficiency or updates about new content that is of interest to the user. On this same topic email should also look the part. HTML is the standard for email and it should be used to provide clean, attractively branded e-mail. All of these points apply not only to marketing messages, but also to any communication that your company sends. A billing notification or receipt can easily include a personalized message, upgrade offers, as well as relevant links to users billing history page.

▶ **Recognize the power of clarity and transparency in your communications.** For example, in a payment-method-required free trial program you might expect to see maximum conversion of trial users to paying customers if you do not communicate your intention to charge the customer prior to the end of the trial period. However, if you do not clearly communicate what actions your company will be taking, you should expect a higher rate of chargebacks and an overwhelmed customer service organization. This results from a subset of customers misunderstanding the terms of the trial and not expecting to be billed. In contrast, being clear and upfront in your communications does not take away from your true conversion percentage, and will increase the satisfaction and utilization for trial users. These thoughts hold true for existing customers as well. If you make it difficult for an existing customer to leave your product or service, you are less likely to see that customer return later. In addition, chargeback rates from frustrated customers will be higher.

▶ **A clear chain of communication with users makes it easier to defend any chargebacks that may occur due to friendly fraud.** Any email that you send should have a link to opt out of future notifications and/or instructions on how to cancel an account. This allows your customers who no longer want your product/service to leave on good terms and potentially return at a later time. But before a customer leaves, having a simple exit questionnaire and a retention plan in place will help improve both your offerings and your bottom line.

Customer Communication Lifecycle

Before we dive deeper into the various communications best practices, let us take a look at the broader environment of how customers interact with your company. If you consider the entire business model for digital businesses offering intangible goods or services, all potential or current customers can be grouped into four main communication goods categories – Acquisition, Retention, End-of-Life and Re-Market. Understanding these different stages in the customer lifecycle is an important step in formulating a well-defined communication strategy.



Acquisition

The acquisition stage is focused on attracting and converting visitors and trial members into customers. Defining characteristics of this stage include promotional offers, strong marketing efforts and smooth new user “on-boarding” — also known as the sign-up process.

Promotional offers, especially “payment-method-required free trials” or “negative-option free trials” have a unique set of communication requirements. First, provide clear messaging on your site that conveys the value of the product or service offered. Segment the trial sign up process so that users enter their email address in the first step and then complete the trial registration in subsequent steps. This allows you to continue marketing to the prospective customer should they not complete the trial registration. You should strive to capture email addresses as often as possible to expand your list of prospects that feed the acquisition stage.

After a visitor has registered for a promotional trial, the first email communication should be a welcome message for the trial offer. The message should welcome the new trial customer and provide key links to user training materials, frequently asked questions, help pages and account management. The welcome message, or a follow-up message that is sent later, should also point out how to access support. It is important for the content of this message to discuss the parameters of the trial, the value your product or service provides and how it compares to alternatives. You are striving for each customer to achieve an “a-ha” moment where they completely understand the value that your offering provides.

Next, a follow-up message should be sent. The timing of this message depends on the length of the trial period and the complexity of the product or service. Another factor that can be leveraged at this stage is usage. Trial users who have been active on the site may receive a follow-up message that suggests advanced features or additional content they may wish to explore. Trial users with limited or no usage can be sent a remedial follow-up that prominently display support contact information and directs them to user tutorials or a help page with FAQs.

The last communication in the acquisition stage is the new customer welcome message after users become paying customers. This can also be the first email if a trial period is not used. Again, the content of this message should be friendly and clear with links to account administration and support resources.

Retention

As the customer lifecycle transitions from acquisition to retention, a parallel communication process starts around billing notifications, receipts and failure messages. Other forms of communication at this stage include upgrade and “sidegrade” messages, and all marketing communications, including new product offerings and notifications around increases in product functionality. The main goal in the retention stage is to increase the average customer lifetime (i.e. average length that customers continue to pay for your product or service) by providing value and helping customers use your product.

If your customers are not finding value from your product or service, you want to allow them to cancel as easily as possible. If they leave on good terms, it increases the chances that you will see them as customers again. Communication best practices for the retention stage are discussed later in more detail.

End of Life

Two of the most important pieces of your communication strategy come into play as your customers leave: the exit questionnaire and retention offer. The exit questionnaire provides critical feedback for optimizing your business while the retention offer will reduce the number of customers who are choosing to leave. A plan that offers a reduced price in exchange for less access might be ideal for users who are not spending as much time on the site. The retention offer is a chance to be creative with pricing and packaging to increase the duration of the average customer lifetime. Examples are discussed in the section on retention offers.

Of course, customer attrition will always happen for a variety of reasons. Regardless of whether a customer leaves on their own, or leaves because a specific offering has been discontinued, it is important to leave a good impression during the end-of-life process. Happy customers are one of the best marketing resources for any company. Even former customers are valuable if they leave on good terms.

Re-Market

The last stage of the customer communication lifecycle focuses on how you re-market to past customers. Maintaining a list of your “alumni” and periodically notifying them of new features or targeted promotional offers will allow you to gain more customers with minimal acquisition costs. The best customers you have are the current ones, but past customers have already seen the value in your service once and are more likely to respond to a well-crafted offer or new functionality.

Top Communication Rules and Common Mistakes

The charts below outline some of the top general communication rules to follow when creating a communication strategy and some of the most common mistakes that digital businesses make.

Top 10 Communication Rules	
Rule	Benefit
Define communication strategy prior to product/service launch.	Address process before other issues take priority.
Limit off-ramps in customer communications.	Increase retention rates by only requiring customers to take action when absolutely necessary.
Don't force unhappy customers to stay.	Reduce the number of refunds and chargeback by simplifying exit process.
Always include links to "opt out" or unsubscribe.	Higher customer satisfaction and less annoyance due to perceived spam.
Anticipate customer questions.	More effective messages provide higher customer click rates and customer satisfaction.
Help customers use your product.	Increased utilization and customer happiness.
Treat customers well, especially as they leave—and make it easy for them to come back.	Increase the chance that a customer will return after leaving.
Billing messages are marketing messages—use them to continue selling and highlight value provided.	Increase customer satisfaction by continuing to provide value.
Use HTML to send clean, attractively branded emails.	Increases customer satisfaction and easier to read messages.
Message content should always clearly state the purpose and parameters of the topic addressed.	Reduce customer confusion and set expectations which lead to happier customers.

10 Common Communication Errors	
Common Error	Impact
Merchants are “silent” when they shouldn’t be	Lack of transparency in billing results and higher attrition rates
Retention offers are not implemented	Customers who are happy with the service but unhappy with the pricing plans are leaving – instead of paying a reduced rate for less functionality
No policy to retry bounced emails	Potentially valid customers may be turned away due to a temporary glitch with their email server
Confusing messaging sent to customers when billing fails	Customers do not understand what has happened and panic or even cancel their service
Making it difficult for unhappy customers to leave	Opportunities to remarket are greatly devalued
Not taking advantage of utilization data to tailor messages and offers	Lower trial conversions and missed revenue from potential upgrade opportunities
Lack of A/B testing to optimize messages	Failure to better understand customers and use the most effective marketing methods
Customer expectations are not correctly set	Customer confusion and lower conversion rates during trials. Conversely, higher chargeback rates if refund policies / communications are unclear/
Communications require user to take action when not necessary	Any unnecessary actions result in higher customer attrition
Sending dull, “facts only” billing notifications and receipts	Missing opportunity to use billing messages to show value, cross- or up-sell, increase revenue and increase retention

We have introduced a discussion framework and some common issues to avoid when defining a compelling communication strategy. Keeping these themes and guidelines in mind, we will now shift to discussing best practices that address and enhance any communications.

User Actions: “On-Ramps” and “Off-Ramps”

Optimizing the actions your customers take can be a key way to increase revenues and reduce customer attrition. In general, there are two approaches a communication can take towards user action: “off-ramps” or “on-ramps.” An off-ramp is a message that requires action for the customer to continue using a product or service. By contrast, an on-ramp is where the product or service will continue unless the user takes specific action.

To give an example of how these action types are different, let's take the scenario of a software vendor who offers a yearly subscription to their product. An off-ramp communication, with appropriate branding, might look something like:

Dear James,

Your subscription to our software service is about to expire. If you would like to continue using our service, please [click here](#) and follow the appropriate steps.

*Best,
XYZ Software, Inc.*

The same message could also be composed as an on-ramp like this, again with appropriate branding:

Dear James,

Your subscription is scheduled to expire on November 15th. As part of XYZ's convenient automatic renewal service, we will charge your credit card \$29.99 on November 1st.

XYZ automatically renews your subscription online by charging the regular renewal subscription fee (plus applicable taxes) to your credit or debit card on file. This service was described in more detail when you originally purchased your subscription.

You do not need to do anything! XYZ will automatically charge the regular subscription price of USD \$29.99 (plus applicable taxes) to card number XXXX-XXXX-XXXX-2169. Once the payment has been processed, we will send a confirmation e-mail summarizing the charges applied, and you will receive an additional 1 year of service.

If you wish to turn off the automatic renewal feature, you may cancel your enrollment by signing-in to your account at [myaccount.xyz.com](#). However, canceling the auto-renewal feature will end your service unless you renew your subscription manually. Also, please note that you must turn off the auto-renewal feature by November 1, 2012 to avoid the automatic charge. As always, for any issues you may have, our customer service department is ready to help you anytime at 888.XYZ.SOFT.

*Thank You,
XYZ Software, Inc.*

If you would like to make any changes to your account at any time, you can [click here](#) or if you prefer not to receive these renewal notifications you can [opt out here](#).

Certain communications require off-ramps, such as when a payment method has failed or a product is being discontinued and the user must provide additional information about how they would like to continue accessing the service. In general, however, email communications to customers should limit any call to action, especially those that call for the customer to leave. The corollary to this best practice is to always include links that allow the user to modify their account settings, or opt out of certain communication types (newsletter, marketing emails).

Another key exception for off-ramps is communications targeting inactive or unhappy customers. One of the most beneficial aspects of utilization data is helping customers use your products or services. For example, if new customers are not using the service, it may be because of technical issues. Sending an email follow up with customer service details and links to self-service help, such as FAQs or support forums, can greatly increase retention. Another possible reason for inactivity is that the customers are simply unhappy. In the remedial follow-up email, in addition to support and help information, you may want to offer a refund for those unhappy customers. This may lead to a short-term loss in revenues, but will proportionally reduce the number of chargebacks and reduce customer service inquiries.

In the same vein, off-ramps and utilization data can be combined and put to use when offering cross sells or “sidegrades.” In order to understand if a proposed sidegrade offer makes sense, companies can determine which customers are consuming the most products or resources and analyze whether a new product offering makes good business sense. If this is a mandatory upgrade for the most active users, a retention rate can be factored in, along with the increased revenue from a higher priced plan to ensure profit goals and margins are being met.

Communication Frequency

Consider how often you want to send messages to customers. This is a delicate balancing act between building brand awareness and being perceived as spamming, and ultimately depends on the products and services you offer and your overall marketing strategy. However, there are certain best practices to follow.

Billing messages should be sent at a frequency that corresponds with the average time between billing periods. If a customer is being billed on a monthly basis, it is much less important to notify them beforehand. In fact, it may not even be necessary to provide them with a receipt afterwards. However, if customers are being billed less frequently – quarterly, bi-annually or annually – it is more likely that payment methods will change or fail, and a pre-notification reminds them about the service to which they have subscribed while giving them a chance to update their billing information.

Additional best practices address how frequently digital businesses should send marketing communications and how to handle message frequency with regard to trials and promotional offers. Marketing communications – newsletters, product announcements, promotions, etc. – should only be sent when they offer real value to customers. Digital businesses should not feel obligated to send a regular newsletter if they are having difficulty crafting high value content. Users appreciate good information, but have a little tolerance for self-serving messages, which may have a negative effect.

Promotional offers and trial memberships have similar best practices, but communication strategies will need to vary based on the product complexity and user sophistication. Regardless of those variables, messages should be sent, with high value content, frequently enough for the customer to achieve a “moment of clarity” when they understand exactly what benefits your product or service offers.

Content is King

Every message should focus on providing value to your customers. The main component of providing value is the quality of the content in each message. That being said, there are some general rules that can be applied regarding content, and some that are required by law. Messages to customers in the United States and the European Union are regulated by anti-spam legislation that specify who is eligible to receive certain communications and requires the messages to display certain information (mailing address, email address, VAT number) and the ability to unsubscribe.

Aside from legal obligations, the key rules for message content are:

- ▶ Anticipate customer questions
- ▶ Provide value
- ▶ Ensure simplicity

These rules are straightforward and do not require a lot of explanation, but will result in more effective messages and higher levels of customer satisfaction. The first one, anticipating customer questions, is a methodology that can be used when crafting the content and should be optimized with customer feedback. One approach for companies with existing products is to work with the customer service department to create a list of frequently asked questions around existing communications.

The second rule, providing value, was discussed earlier in greater detail, and is important to keep in mind as the message is crafted. Finally, keep the message as simple as possible. Always ask if there is an easier or shorter way to phrase the message. The goal is maximum clarity and value, but with no more words than necessary.

Once you have crafted quality content and satisfied regulatory obligations, you should also include links, when relevant, to account detail pages, billing history/information, and customer service. Of course, formatting also plays an important role. All messages should reflect corporate branding and have a clean yet attractive layout in HTML. According to consumer research, only 3% of consumers receive text-only emails. There is no reason to sacrifice readability and design when the majority of your customers will benefit from it.

Payment Failures

One type of communication that stands apart from the rest is payment failure messages. When a customer's payment method fails, it is to the digital business' benefit to only notify them when all other payment retry/recovery options, aside from having the customer update their payment information, have been exhausted. This is especially relevant as you implement billing logic to reduce payment failures and take advantage of services such as the account updater services offered from your payment processor. To give a better idea of how payment failures should be handled, we will use credit cards as an example.

When a credit card fails initially, digital businesses should take no action other than to retry the card later. There are many valid reasons for a transaction to be rejected and this is no cause for alarm. Only once the card has been tried for the second time and fails again should a message sent. The message should not assign blame, but should inform the customer of what is happening:

Dear James,

There has been an issue with your account. We are attempting to bill your credit card XXXX-XXXX-XXXX-2169, for continued access to our service. We will try again on November 1st.

If this credit card information is not correct, please update your billing information here for uninterrupted access. Regardless, you will have access until end of day on October 31st. If your information is updated before then, service will continue without interruption. For any questions, please call our customer service department at 888.XYZ SOFT.

*Thank you,
XYZ Software, Inc.*

This allows the customer a chance to update or change their payment method without losing access to your service. Most customers will appreciate the warning and take action to correct any issues they are having. However, if they do not, the final email should call the user to action more explicitly using an off-ramp and state that their access will be terminated unless they provide an alternate means of payment.

Retention Plans

Part of any online business involves balancing new customer acquisition against the loss of existing customers. While it is important to focus on methods to increase acquisition – affiliate networks, promotional offers, marketing outreach, etc. – one often overlooked way to tip the scales in your favor is through retention offers. Even better, retention offers are easy to implement and offer immediate impact on revenue. It is much more cost effective to keep an existing customer that you have already paid to acquire than it is to pay again to acquire a new customer.

In addition, digital goods businesses have the benefit of a low cost of goods sold (COGS). This allows greater pricing flexibility, which can be used with much success in a retention offer. Along with a retention offer, it is critical that you ask customers why they are leaving. This will not only help you improve your business, it will allow you to address those concerns and create even better future retention offers.

In order to increase retention and prevent customers from leaving, there are two main types of retention offers that can be used to address concerns about the perceived value they receive. The retention offer that is right for your specific business, however, will depend on a number of variables. The first type of retention offer focuses on offering a lower price for more limited usage. This addresses competitive offers and increases the value proposition of your product.

The second type of offer is not quite as universal in application, but makes great sense for certain markets. This type of retention offer provides account or status maintenance and is most relevant to products where the customer has built up reputation, content or both. A retention offer that will only preserve the user's account for a nominal fee will address users who need to limit their usage, but do not want to lose the work they have put into your site or service.

If the customer still wants to leave, always let them go graciously. But be sure to ask a few simple questions around the reasons they are leaving and include a statement that hopes they will consider your company again in the future. It is important that the exit questionnaire is not intrusive or lengthy, as this will reduce the number of responses. A good rule of thumb is to have no more than three questions and include multiple choices as well as a text box to allow users to communicate as much, or as little, as they like.

A/B Testing

At this point we have covered some general communication best practices that affect each stage of the communications lifecycle, as well as a few that apply to the retention and end-of-life stages. Unfortunately, each communication will vary depending on not only the lifecycle stage, but also the industry, market, customer demographics and corporate branding. Taking advantage of A/B testing is an easy way to determine exactly what works best for your business. A/B testing, for those who are unfamiliar with the concept, is a method of multi-variate testing, where multiple options are considered by different groups of similar users. A/B tests are usually performed to determine the better of two (or sometimes more) content variations; multivariate testing can theoretically test the effectiveness of limitless combinations. This can be applied to all of the communication techniques mentioned here, in addition to broader website content.

The most difficult piece of A/B testing, aside from creating the content you are testing, is determining the testing population. One method is for all visitors or customers to receive the first option on one day, and then offer the second option to the visitors/customers who visit on the next day. This should result in fairly comparable populations with minimal setup. If you would like to use a larger testing population, this rule can easily be extended further to include all visitors for a week or even a month depending on how quickly you want an analysis of the metrics tracked in testing. Another method available is to enable technology to randomly assign users to each option as they visit your site over a specific period of time to achieve the appropriate test population.

Upgrades and Sidegrades

Upgrades and sidegrades (when a user switches to a different, but comparable product or service) are partly about customer retention, but primarily focused on revenue optimization. Up-selling or cross-selling customers, especially when combined with utilization tracking, can be an excellent way to optimize revenues and product pricing. Also, these offers can be delivered via billing messages, which are much more likely to be received than marketing messages and therefore will yield higher conversion rates.

If your billing system is flexible enough to support more advanced options, you can even use billing pre-notifications to offer pro-rated upgrades. For example, adding a sentence to a customer's monthly receipt that offers additional product: "Step up to our Platinum service (a \$40 value) for only \$5 more per month" can be a great motivator. Upgrades are most effective when they are targeted towards the right segment of customers, so this is a perfect opportunity to leverage utilization data to drive marketing campaigns. Sending an upgrade offer to the most active 10%-15% of customers will have a much higher conversion than indiscriminately offering it to the entire customer list.

Sidegrades and related messaging will be used less frequently. Typically, these are most useful when a product is being discontinued and customers are being required to transition to a new product plan. If this is a mandatory transition with a customer call to action, it will almost always result in some attrition. Attrition is not necessarily a bad thing however.

One example that could actually improve profit margins would be a mandatory cross-sell focused on the users who are consuming the most impact on operating costs and profit margins. A quick analysis can determine if forcing your heaviest users to upgrade makes good business sense. If the lost revenue from attrition is offset, losing some customers might be the right decision for longer-term growth.

Creating and Managing Communications

After determining which messages need to be a part of your overall communication strategy, you should spend some time thinking about how they will be implemented. Communications can be broken up according to stages in the customer lifecycle. All four stages need to work together seamlessly, but often need to be managed by different systems. Marketing and exiting messaging can be handled by the typical combination of web content, CRM and marketing automation tools. Promotions and billing messages need to have customer's billing information and are best handled by a billing system.

Vindicia[®] CashBox[®] offers built-in communication logic and templates that address a broad range of the methods discussed above. The message templates are fully customizable with an expansive list of variables, or tags, that display personalized product, transaction and customer information. Once the templates have been setup to reflect your communication types, the logic is then configured to determine which events and time periods trigger sending of the messages.

Email messages, as a best practice, should be sent in the preferred language of the customer. As such, Vindicia supports messages in nearly any language that is compliant with ISO-639.2 or W3C IANA Language Subtag Registry. Also, email formatting can be set to the format that is best for your customers. As noted previously, HTML emails are highly encouraged. However, CashBox has the flexibility to support the 3% of Internet users who prefer not to receive HTML as well.

As a final point on the implementation of messages for the communication strategy, it will be necessary to frequently modify the content based on feedback and usage metrics. An advanced billing solution should be utilized to ensure that you are always using your best content and not needlessly wasting effort on email template administration. Vindicia CashBox allows business users to manage their email content with minimal technical assistance.

Summary

Customer communications are critical to the growth of any company. A company that effectively handles communication will reap the benefits of higher margins, greater profits and happier customers. Even the best companies have room for improvement, and every launch of new products or services will require a new or modified overall strategy.

In addition, with the widespread availability of powerful solutions and technologies around utilization tracking, multi-variate testing, marketing automation and billing, opportunities to optimize messages and craft highly targeted campaigns have never been better. While the communication strategy for every company and product is unique, the rules and best practices outlined here discuss the most important communication issues to consider. Optimized communications are an ever-shifting target and require constant monitoring, feedback and improvement.

When launching a new product or service, the goal is not to have a perfect communication strategy, but instead the focus should be on minimizing the number of mistakes made in the first year after launch. By thinking about the overall strategy ahead of time, you can ensure the obvious mistakes are avoided and enjoy greater profits and increased customer satisfaction.

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About Vindicia

Vindicia, the true leader in enterprise-class subscription billing, was recently ranked the Number One billing software solution on the market by Billing Software.com. Vindicia takes subscription billing to new levels. Vindicia CashBox combines cutting edge customer acquisition methods with advanced customer retention technologies, while maintaining unmatched scalability and 99.99% up-time. Vindicia has processed more than \$6 billion globally and generates over \$90 million in annual incremental revenue for clients. Our clients include TransUnion Interactive, Intuit, Activision Blizzard, IAC, Bloomberg, Vimeo and Next Issue Media. To learn more, visit www.vindicia.com, connect with us on Twitter (@vindicia), Facebook, LinkedIn or read the blog at blog.vindicia.com.

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