

Customer Retention and Renewal
Messaging: Mission Critical,
But Missing In Action

OVERVIEW

The mission of Account-Based Marketing (ABM) is pretty clear: **acquire and retain the best customers** in your “sweet spot” who can deliver the **most value over the long haul**. Execution on this mission may vary, but the objective remains the same.

No doubt, it costs a lot of money to market, sell and acquire these coveted customers. It’s also an expensive effort to ensure a successful implementation. In some cases, companies might even over-serve the account in those early days to ensure a great initial experience.

For many industries, especially those with subscription-type contracts, this means **the real profitability finally cranks up when you score that first renewal**.

As a result, you’d think that customer “lifecycle” communications, **in particular renewal messaging**, should be a major component of an ABM strategy. But, is it? Or, does renewal messaging get forgotten amidst all the customer acquisition hype?

That’s what Corporate Visions, in partnership with *Demand Gen Report*, wanted to find out when we surveyed more than 400 organizations. The survey was aimed at finding out where businesses are in terms of ABM implementation and lifecycle messaging. More specifically, we wanted to know whether or not companies are doing anything different to ensure renewal business with customers.

This *State of the Conversation Report* examines the survey results and provides valuable insights around messaging areas companies need to consider as they look to fulfill the promise of ABM, which includes both winning and keeping more valuable, long-term customers. The report also looks at new science-based research that strongly suggests a retention story requires a distinct messaging framework that’s different from customer acquisition messaging to help companies reinforce customer loyalty and capture the more profitable renewal business.

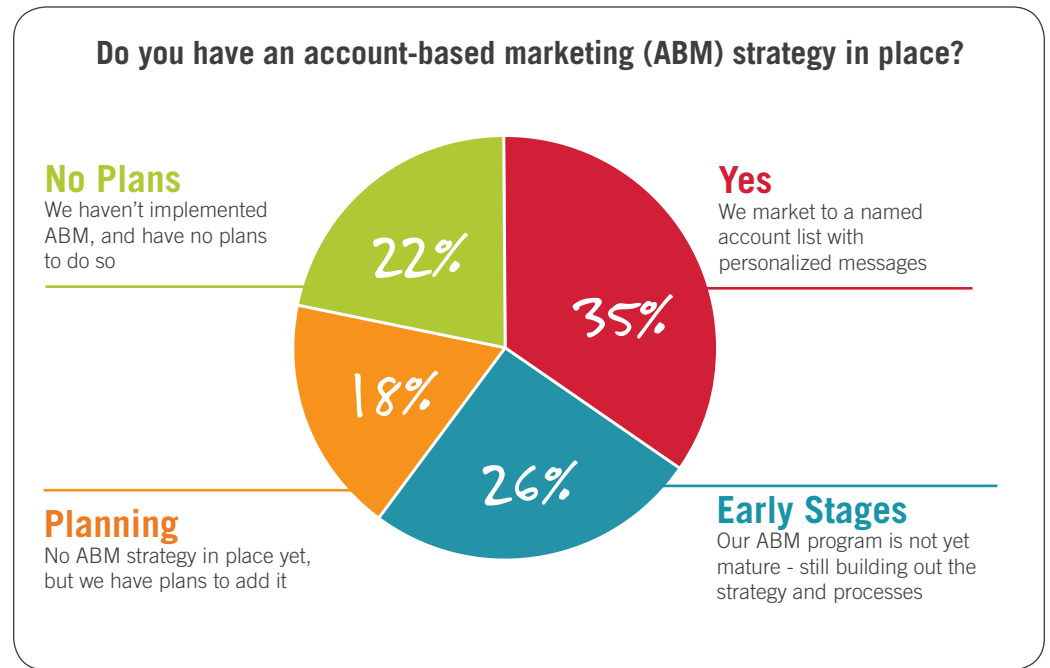
The State of ABM Today

For many companies, ABM is already here or on its way. But from a messaging standpoint, what does that actually mean for marketers responsible for developing the story, and for sales professionals delivering that story in the field?

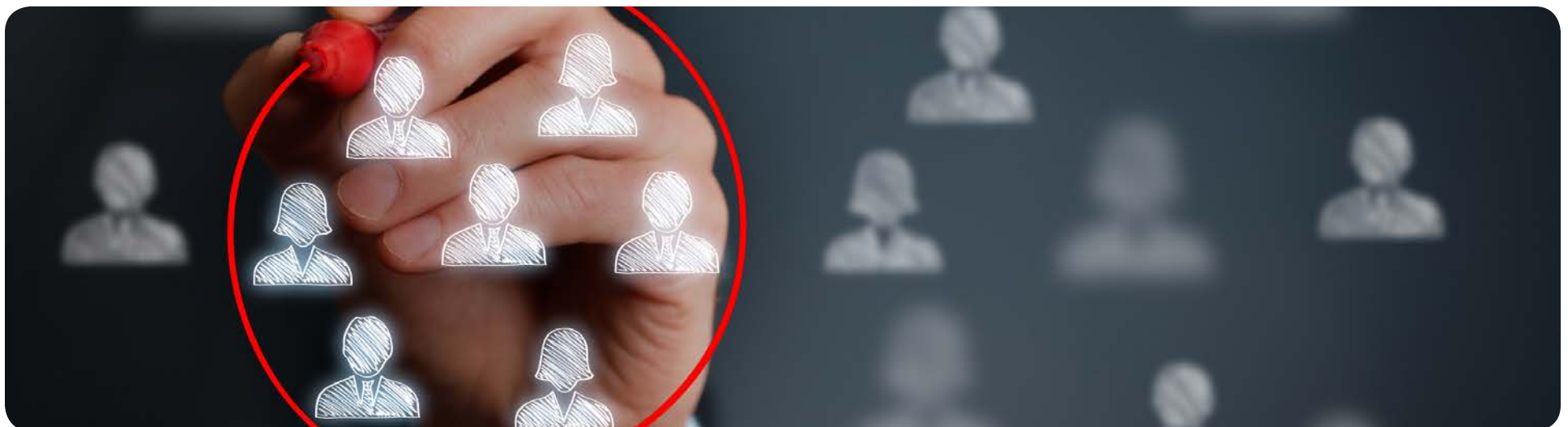
If you're in B2B, there's a good chance you're feeling the pressure from C-level executives at your company to activate an ABM strategy—and to do it fast. The survey data shows that most companies are on an ABM journey but at different levels of maturity (35 percent of respondents say they have an ABM strategy in place, while another 26 percent say they've started implementing one, but that it's not yet mature).

But as marketing and sales leaders feel the push, both in the market and internally, to implement the strategy, there's a risk that the most important piece of the puzzle—the messaging itself—could get lost in the rush to stay abreast of the trend.

Read on to learn where in the customer lifecycle companies are devoting focus and budget, and what that could mean for one of the most important aspects of making an ABM strategy thrive: *winning renewal business*.



Corporate Visions Survey: *From Lead to Advocacy - What's in Your Customer Lifecycle Message?* January 2017



Two Sides of the Customer Conversation

If ABM at its core is about acquiring and retaining the best long-term customers, that means the customer story you tell includes two fundamental parts: the acquisition message (“why change from what you’re doing today?”) and the retention message (“why stay with us now and in the future?”).

Much of the conversation around ABM tends to focus on the first half of that journey—the sexier, more swashbuckling acquisition side. Because let’s face it: Turning prime prospects into net-new customers *is* exciting, especially when that customer fits the profile of your most loyal long-term buyers. And a big part of ABM’s promise is that, over the long-term, it can drive growth in your business precisely by bringing these types of “sweet spot” customers into the fold.

The survey validates the intrigue that net new acquisition holds for many B2B marketing teams today.

The results show that 80 percent of companies spend more than 70 percent of their budget on demand generation messaging and content.

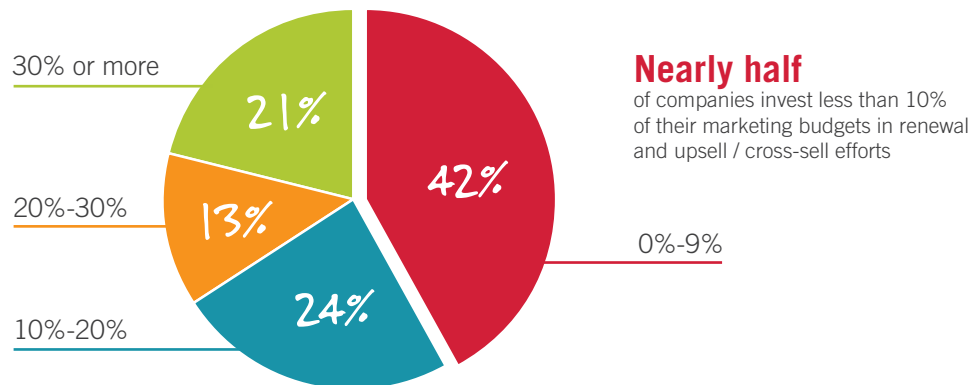
For those companies, that means less than 30 percent is being spent on customer retention or upsell/cross-sell activities.

In fact, 42 percent of companies **invest less than 10 percent of their marketing budgets in renewal and upsell/cross-sell efforts.**

With the rise of subscription and service models across many industries, there’s clearly a lot riding on companies’ ability to get big, valuable customers to renew. But the figures above raise an obvious question: Are companies underappreciating the importance of renewal messaging in their ABM strategy, and underinvesting in it as a result?

Read on to learn what the survey uncovered about which teams own the retention message in B2B organizations.

How much of your budget is attributed to customer retention and upsell / cross-sell?



Corporate Visions Survey: *From Lead to Advocacy - What’s in Your Customer Lifecycle Message?* January 2017



Tim Riesterer

Chief Strategy &
Research Officer
Corporate Visions



Renewals: ABM’s Unsung Hero?

A sales leader at one of the biggest tech companies in the world recently told me that their renewal rate in a particular market was only 10 percent. Sadly, it was the part of the world he managed. He was looking for even just a five percent improvement because it would mean so much for his bottom line.

The truth is, it’s often only *after* the first renewal when software companies (or any company with a subscription or service model) typically make their money. Companies incur so many costs involved with acquisition and implementation that during the first section of the contract, you might barely break even.

So, our finding that 80 percent of companies spend less than 30 percent of their time and budget on retention could spell trouble—especially if renewals account for the majority of growth and revenue in your business. If you want to make good on the promise of securing long-term value from the best customers, you can’t afford to give your retention messaging short shrift.



Erik Peterson
Chief Executive Officer
Corporate Visions



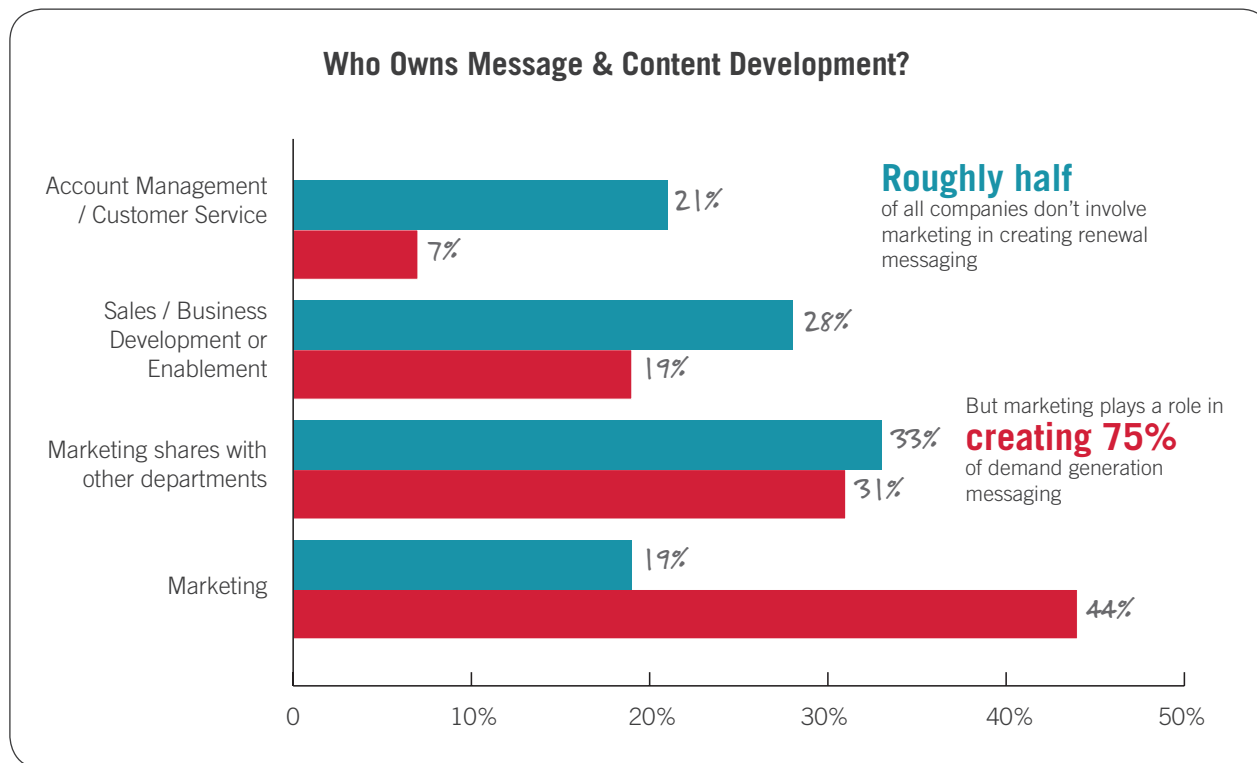
Solving the Fragmentation Problem

With ownership of the renewal message so divided at many companies, there's bound to be less accountability and fewer guardrails around the creation of that story—and that could have a negative impact on quality and effectiveness. Fragmented ownership of the renewal story may be the norm now, but that doesn't mean it should be.

At a time when renewal business is so critical to driving growth and long-term value, companies need to take it upon themselves to clarify ownership of the renewal story and—most importantly—apply an actual framework and process to its creation. By doing so, you'll ensure your retention messaging and content are just as rigorously developed and effective as your acquisition message. The upside of defining ownership and applying process is significant—and will make a difference when it's time to develop and deliver your “why stay” story.

Who Owns The Renewal Message?

The creation and control of the renewal message is a story of divided ownership, especially when compared to its counterpart message on the demand generation/customer acquisition side of the customer lifecycle. According to the survey, nearly three-quarters of marketing teams own or share ownership of messaging and content for the demand generation part of the lifecycle—no big surprise there. But accountability and ownership gets a bit more murky when it comes to renewal messaging.



Corporate Visions Survey: *From Lead to Advocacy - What's in Your Customer Lifecycle Message?* January 2017

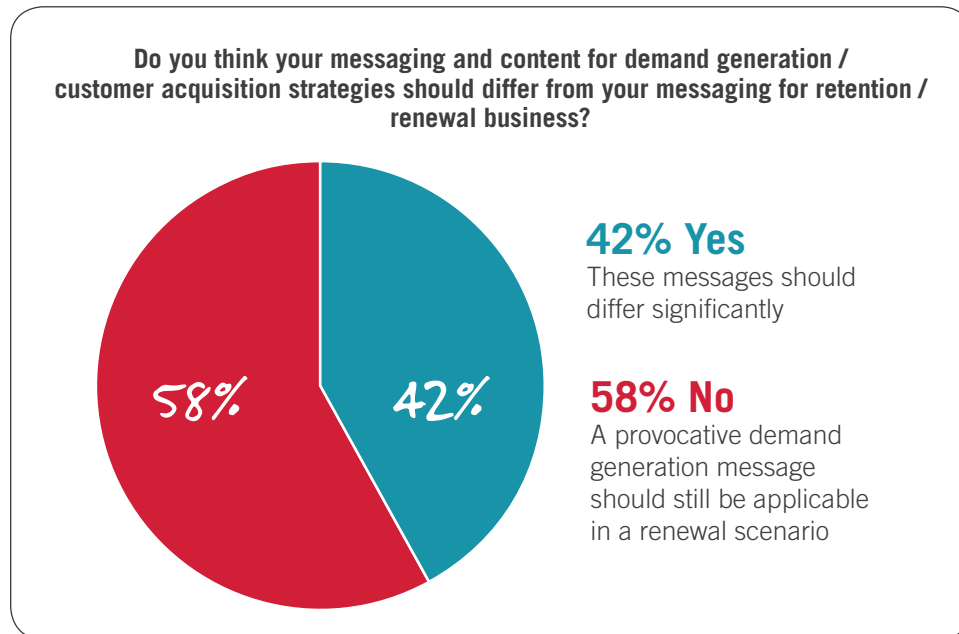
The survey found that **marketing owns or shares ownership of the renewal story at just over half of companies. (Interestingly, marketing only *exclusively* owns the renewal message at 19 percent of companies).** Meanwhile, for roughly the other half of companies, marketing isn't involved in creating or deploying the renewal message at all, with ownership falling either to sales/business development/enablement (28 percent) or related account teams (20 percent).



A Failure to Distinguish?

If underinvestment and fragmented ownership are the tactical problems around the renewal story, then the following findings suggest there's also a missed opportunity in the area of *messaging strategy*. At a time when nearly two-thirds of marketing and sales leaders believe the customer conversation is the leading driver of competitive differentiation, messaging deficiencies can be fatal when it comes to winning renewal business.

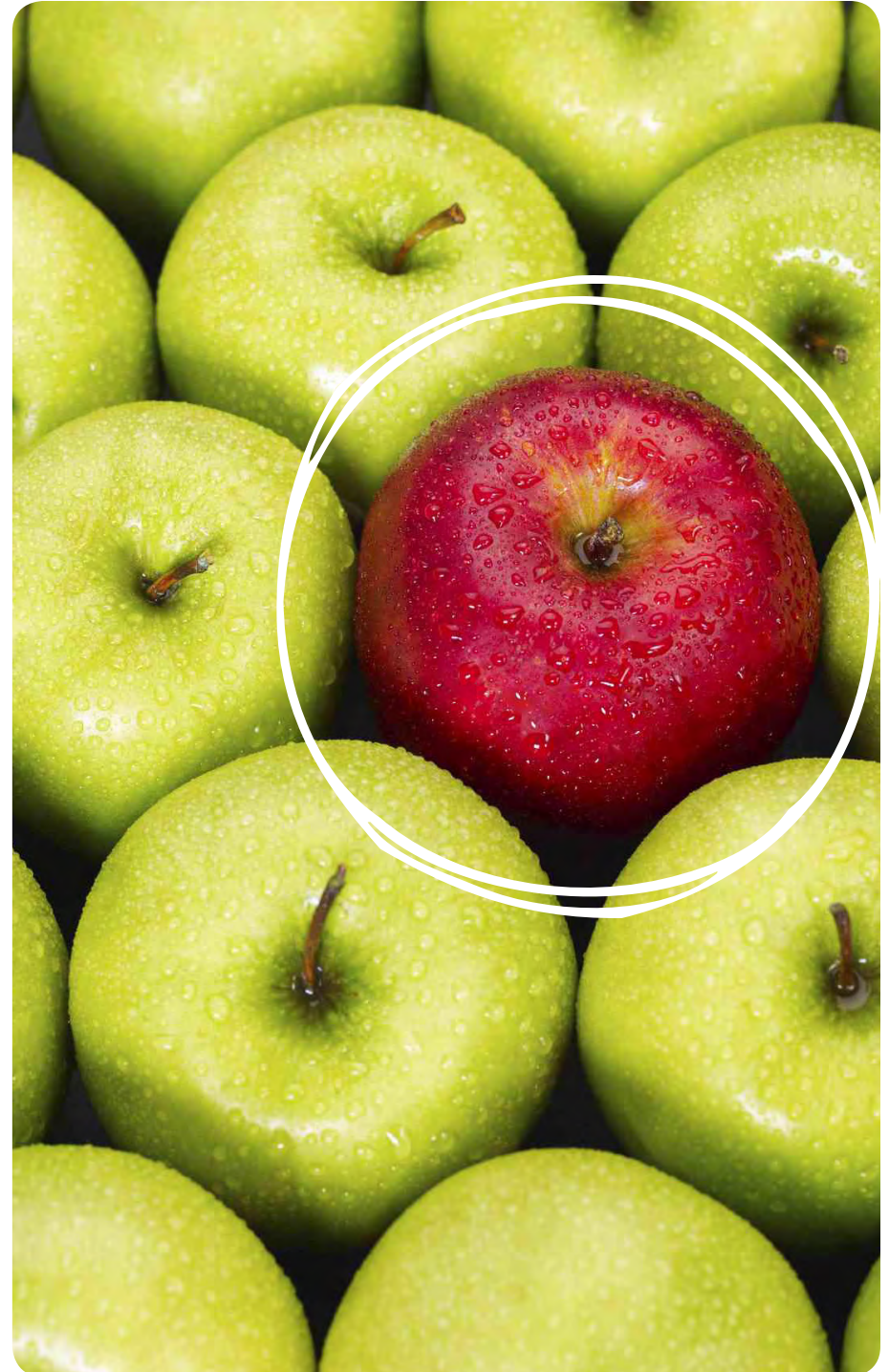
The survey asked respondents a basic question about their customer lifecycle message:



Corporate Visions Survey: *From Lead to Advocacy - What's in Your Customer Lifecycle Message?* January 2017

The survey found that:

- **58 percent of respondents don't see the need for message differentiation between these two stories.**
- **More than half feel that provocative messages—of the sort companies use when communicating with net new prospects—are still applicable in a renewal scenario.**



Barriers to Differentiation?

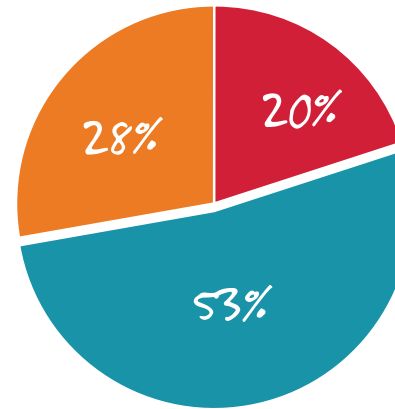
Meanwhile, the survey also found that among companies who haven't implemented unique approaches between acquisition and retention messaging, more than half indicated it was because they lacked time and resources—which ranked as the biggest barrier.

If there's one overarching theme from these findings, it's that many B2B practitioners don't see a clear and urgent need to craft messaging for renewal customers that's distinct from the demand generation message they deliver to prospects.

That's a critical point. Why? Because new research shows that failing to distinguish between these messages could set your renewal conversations back—significantly. What's more, failing to recognize that your acquisition and retention stories have fundamentally different messaging requirements—requirements that might actually make one the antithesis of the other—could also keep your renewal message from hitting the mark.

Read on to discover what research says about these lifecycle messages, and why they may need to be developed differently to achieve the desired effects.

Why aren't you differentiating between prospect and customer messaging?



Limited time & resources

is the greatest barrier for companies who want to differentiate their customer lifecycle message strategies

- We prefer a consistent messaging strategy across these areas: No plans to differentiate messaging
- We would like to differentiate our messaging approaches, but don't have the time or resources to do so
- We really haven't considered whether we should differentiate these messages

Corporate Visions Survey: *From Lead to Advocacy - What's in Your Customer Lifecycle Message?* January 2017



Carol Krol
Editor-in-Chief
DemandGen Report



A Cause for Pause?

An account-based marketing strategy holds enormous potential for B2B marketers today looking to leverage the power of engaging constituents across their most important and potentially valuable prospects. It's no surprise, then, that investment in ABM has risen so dramatically, a trend we've tracked closely at *Demand Gen Report*.

However, Corporate Visions' finding that the majority of companies are spending the lion's share of budgets on demand generation messaging and far less on messaging designed to retain valuable customers and reinforce loyalty should give marketers pause.

The study revealed that effective retention messaging and communications are distinctly different compared with acquisition messaging. The most impactful messaging in a retention strategy, according to the research, is reinforcing the status quo with customers; in acquisition messaging, it is the opposite: marketers must disrupt the status quo.

Engendering ongoing loyalty from existing customers a marketer has spent time and investment to win demands a distinct messaging framework, one that has the potential to maximize the lifetime value of those customers.

“Why Change” vs. “Why Stay”



It's ironic—but the clearest way to frame any conversation about renewal messaging is to first talk about acquisition messaging with the following question in mind: *What actually makes for a great demand generation story?*

When you're messaging to net new prospects, you're in essence asking them to change—to do something different than what they're doing today. At its core, this is a disruptive story. It's less about convincing prospects why they should choose you (although that will come later), and more about convincing them to overcome their resistance to doing something different. In social psychology parlance, this natural aversion to change is known as the *status quo bias*.

Corporate Visions [research](#) found that a certain type of provocative messaging is most effective for this change management scenario, where marketers and salespeople need to disrupt the causes of the status quo bias. This messaging approach is based on identifying and introducing “unconsidered needs”—i.e. problems or missed opportunities that prospects didn't know they had—and connecting them to your unique strengths (as opposed to messaging only to the problems prospects tell you they have).

The study found that this messaging framework can give you a statistically significant edge in terms of uniqueness and generating the urgency to change—both key areas of influence when trying to break through with new prospects.

That study validated a specific messaging framework for when companies need to defeat the status quo. **But what about when you *are* the status quo?** What about when you're the incumbent, and a whole lot of your success and growth depends on protecting existing customer relationships? Is there also an ideal messaging approach for that scenario?

These are the questions a subsequent Corporate Visions study took aim at. What it found can be summed as follows: *Everything you're doing to acquire new customers from a messaging standpoint, you should stop doing—and use in reverse—to retain the customers you already have.*

Read on to learn about the study.

When You Are the Status Quo

A recent Corporate Visions academic study ties into some of the themes around renewal messaging that the recent survey explored.

Corporate Visions contracted with Dr. Zakary Tormala, a social psychologist and an expert in social influence, in a study involving 402 individuals. The study's intent was straightforward: Determine what type of messaging is most impactful for winning renewals.

The experiment tested three types of messages in a hypothetical renewal selling situation. (For the purpose of the study, participants were told to imagine they were small business owners listening to pitches from 401k providers, who were trying to convince them to stick with their current plan).

The opening paragraph of each pitch was identical across the conditions, but then each of the pitches varied in crucial ways. Study participants heard one of the following three messages:

Pitch #1: Status Quo Reinforcement – Participants in this group received an encouraging description of how the plan was working to date and heard how the company was making progress toward its goals. They also read a message intended to reinforce the status quo, emphasizing how much effort went into selecting the current provider and highlighting the risks and costs associated with changing to a new one.

Pitch #2: Provocative Pitch – This message documented the results to date, but then switched gears, introducing a new idea that challenged their current approach. The message noted that it can be harder to make the jump from 50 to 80 percent participation than it is to go from 20 to 50, and that doing so may require different tactics, such as switching the 401k plan from an “opt in” approach to an “opt out” one. The provider would help to make this change.

Pitch #3: Provocative Pitch with Upsell – This message was the same as the provocative pitch above, except for that it also offered a series of online tools for employees that would ostensibly increase their engagement in reaching their goals. These tools would add between five and 15 percent to overall program costs, with an anticipated payback in fewer than 12 months.

After hearing their respective message, participants answered a series of questions designed to assess their reactions to the message and its persuasive impact. *The questions focused on participants' intention to renew, attitudes, likeliness to switch, and credibility.*



Check out the study results on the next page.



Tim Riesterer
Chief Strategy &
Research Officer
Corporate Visions



Right Message, Right Time

At a time when it's all about provoking and challenging the customer, it's not surprising that most marketers and salespeople don't see the need to message differently for the renewal context. But this research stands as a strong rebuttal to the idea that provocative messaging is universally applicable. It also suggests that using messaging better suited for acquisitions in a retention context could be setting your renewal conversations back.

No doubt, there's a time and a place for a disruptive message that injects urgency into the customer conversation. But that's when you're the outsider looking to defeat the status quo, not when you're the insider trying to maintain a service or subscription. So many pivotal customer conversations center on the question of "why stay." To answer that effectively, marketers and salespeople need to excel at reinforcing the causes of the status quo bias in their messaging, content and delivery skills.

Reinforcing The Status Quo: What the Research Says

Across the measures assessed in the experiment, **the status quo reinforcement message outperformed the provocative and upsell messages by statistically significant margins.** The message that documented success and reinforced the status quo bias revealed a:

- **13 percent boost in intentions to renew**, relative to the two provocative messages. To measure this, participants were asked how likely they would be to renew with their current provider, and how likely it was that they'd stick with that provider.
- **9 percent boost in positive attitudes**, compared to the two other pitches. Participants had significantly more favorable impressions of the provider than in either of the message conditions that challenged the current approach with a new idea.
- **7 percent lift in credibility perceptions**, relative to the provocative conditions. Participants answered three questions assessing how credible, trustworthy and confidence-inspiring the provider seemed to be.



Status Quo Reinforcement
outperformed the other messaging strategies across all measures

Interestingly, participants answered three questions designed to measure switching intentions, i.e. how likely they would be to shop around for other alternatives and even switch to a new provider. Again, there was a statistically significant effect, but in this case it assumed the opposite form: **Participants in the provocative conditions were 10 percent more likely to switch or shop around than participants in the condition that documented success and reinforced the status quo.**

If there's one thing to take away from these results, it's that **provocative messaging approaches—which are all the rage today—are not universally applicable, and could even backfire in a renewal selling situation**, putting you at a significant disadvantage when trying to preserve your status as the incumbent.

Are Companies Jeopardizing Their Renewals?

The customer lifecycle survey revealed that many companies are putting into practice messaging approaches that run counter to the results of the study mentioned above.

The survey found that:

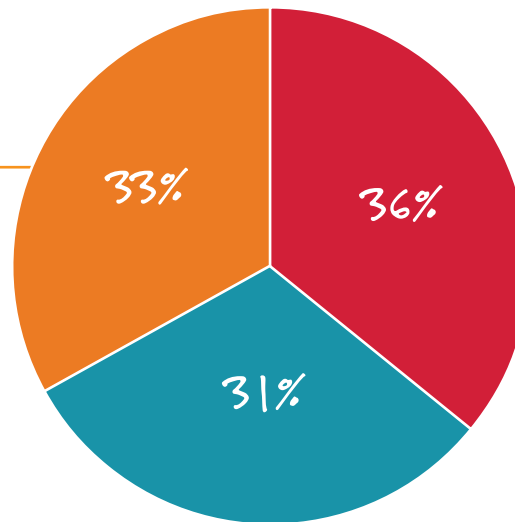
- Challenge-oriented messaging and content is the #1 approach used in retention messaging.
- Roughly one-third of respondents lean heavily on product-oriented cross-sell/upsell-focused messaging—which the survey casts doubt on within a renewal context.
- Only one-third of respondents are using the approach validated by the study, emphasizing the time, costs, risks and difficulties of change in their retention story.

How would you describe the focus of your messaging and content to existing customers, whom you'd like to convince to renew with you?

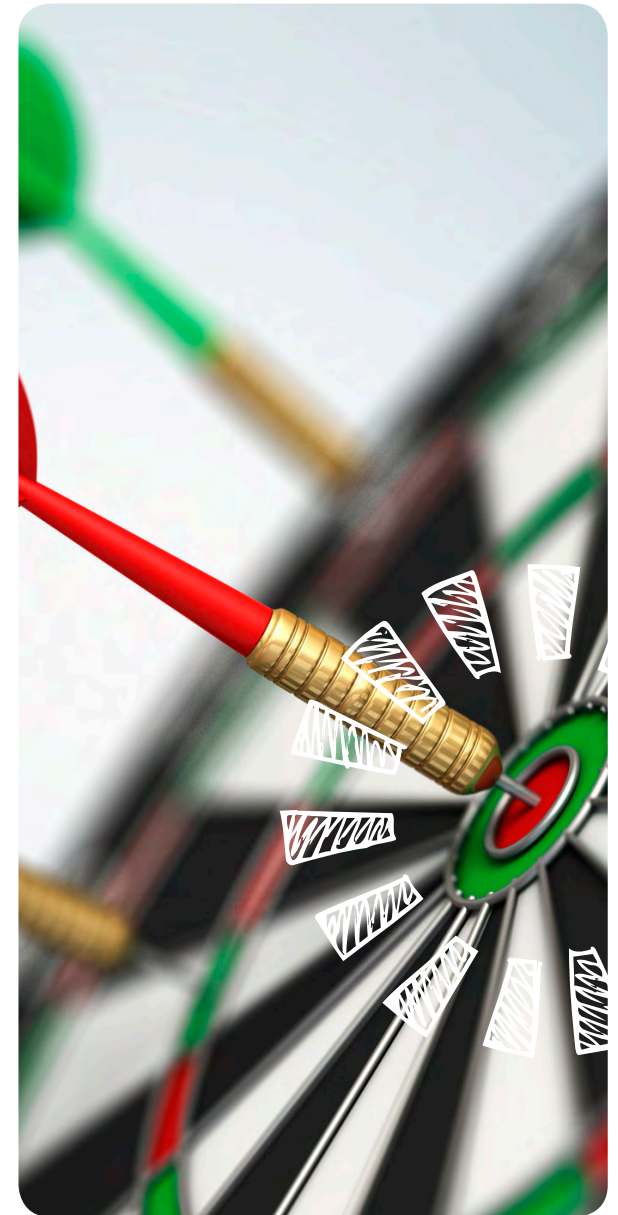
Only 1/3 of companies

are using the messaging approach validated by the study

- We regularly challenge our customers with provocative industry insights and show them how their world is changing
- We lean heavily on product-oriented cross-sell / upsell-focused messaging to expand our existing relationship
- We reinforce our value and emphasize the time, costs, risks and difficulties of changing to a different solution



Corporate Visions Survey: *From Lead to Advocacy - What's in Your Customer Lifecycle Message?* January 2017



Four Causes of the Status Quo Bias

There are four causes or “antecedents” of the status quo bias that you need to attack when you’re the outsider, and need to reinforce when you’re the incumbent. (research psychologist Christopher J. Anderson proposed them in his study, *The Psychology of Doing Nothing*.) The four causes he explores are *preference stability*; *perceived cost of change*; *anticipated blame and regret*; and *selection difficulty*.

These causes of the status quo bias help to define some of the must-have features of a compelling retention message. Here’s how companies might consider using them within the context of a “why stay” message:



Preference stability – Make a point of reminding customers of the long, hard process they went through to make their original buying decision. This will reinforce their natural tendency to keep their previous decisions and preferences stable.



Perceived cost of change – Walk customers through the startup costs that have now been returned through improved performance and are now “sunk” and functionally part of the ongoing operating budget. People tend to believe change costs more than staying the same—confirm that.



Anticipated regret and blame – Remind customers of the time and resources it’s taken to ramp up the solution they purchased, onboard all their people, manage the changes, and get the implementation running smoothly. Making another change exposes them to all these potential failure points again, which they could get blamed for.



Selection difficulty – Willingly admit that most other solutions on the market provide a similar set of capabilities, that the offerings haven’t changed significantly since their original decision, and that you’ve kept them updated throughout your journey together. People are less likely to consider change if they don’t discern contrast between the alternatives.



CONCLUSION

As companies ramp up and fine-tune their ABM and customer lifecycle messaging strategies, they might need to take a closer look at putting in place a renewal messaging framework to help them tell the most effective retention story. This could be an essential messaging strategy step for many companies eager to see their ABM plans deliver on their enormous potential. What the research makes clear is that this messaging framework shouldn't follow the same logic as the approach companies use to generate demand with new prospects. It should recognize many of the same decision-making principles, *but apply them in reverse*, so that instead of challenging the customer, you're reinforcing your value and enhancing their loyalty.

Make no mistake: It's still the era of edgy insights and disruptive perspectives. There's still room to be provocative in your customer conversations—but save that for the customer acquisition story. A great renewal message requires nearly the opposite approach.

Authors



Tim Riesterer

Tim Riesterer is Chief Strategy & Research Officer at Corporate Visions. In that role, he sets the direction and develops products for the company. His books, *Conversations That Win the Complex Sale* and *The Three Value Conversations*, focus on improving market-ready messages, content and skills that marketers and salespeople can use to win more deals.



Erik Peterson

Erik Peterson is Chief Executive Officer at Corporate Visions, and has delivered Corporate Visions consulting workshops to more than 10,000 sales and marketing executives in 17 countries. Erik is co-author of *Conversations That Win the Complex Sale* and *The Three Value Conversations*.



Carol Krol

Carol Krol is editor-in-chief of Demand Gen Report, where she oversees all editorial content. She also handles content strategy for events and custom projects. She was previously director, custom content for CBS Interactive's technology brands, ZDNet and TechRepublic.



About Corporate Visions

Corporate Visions is a leading marketing and sales messaging, content, and skills training company. Global B2B companies come to us when they want to:

- Develop compelling messages to break the status quo and differentiate their solutions;
- Deploy that message in the field through demand generation and sales enablement content; and
- Deliver sales skills training that helps salespeople confidently use these messages and content to create, elevate and capture more value in their customer conversations.

Corporate Visions helps clients such as ADP, Motorola, Philips, UPS, Cisco and others align marketing and sales with a repeatable approach for developing and delivering winning customer conversations.



corporatevisions.com

