

Retention Program to Reduce Customer Defections

Every business should plan for a customer retention program to retain their most profitable customers and to minimize customer churn. The key elements of any retention plan involve:

1. **Measure customer retention-** If the analysis of customer data shows a reduction in the number of customers compared to the previous period/s, it reflects customer defection. Unfortunately for most businesses, customer defection is not so easy to recognise and identify. For example, if a retailer has 1000 customers in his database who have not given him business in the last 1 year, he may not classify them as churned customers. Whereas, for a mobile service provider, if 1000 customers did not make any calls or use data services for over a month, they get classified as dormant / inactive customers who have a high chance of defection. So identifying customer defections depends largely on the nature of the business.
2. **Interview former customers-** Reaching out to customers who have stopped doing business with your firm is a difficult but necessary task to understand why they have defected. This is akin to exit interviews with employees who are moving on. Survey of former customers help identify if a customer is dissatisfied with the product, service or if she has a better offer from a competitor. This feedback in turn can be used to improve the internal processes. By interviewing former customers, organisations get to learn the key reasons for customer defections. This learning provides useful inputs to the firm's customer retention plans.
3. **Analyse complaint and service data-** Organizations receive a large amount of data which comprise of feedbacks and complaints through phone calls, e-mails and review comments on social media as well as third part sites like TripAdvisor or Amazon. This is a valuable source of information on what customers think about your offerings and their experiences with your products and services. Such information can be leveraged to re-design the service delivery process.
4. **Identify switching barriers-** Finally the last step is to identify switching barriers. While interviewing former or current customers, it is important to know why customers continue to buy your product or service. It could be sheer convenience, habit, or they may be satisfied with the offering. Again such feedback serve as a good starting point to strengthen existing processes and strengthen customer bonds.



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Reference:

Adapted from- Customer Relationship Management- A Strategic Perspective- G. Shainesh, Jagdish N Sheth.

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