

CUSTOMER RETENTION: IT TOOLS AND BUSINESS TECHNIQUES

Syeda Shaheda Siddiqui

Ph.D. student, Pacific University, Rajasthan.

Abstract:

Modern firms adopt customer retention activity to minimize customer defection. Successful customer retention starts from the very first contact of a customer to a firm to be continued through entire business life. An ability of a firm to attract or retain customers is not only the function of product or services but is strongly related to active role of an organization that it perform for retention using numerous IT tools and managerial tactics.

Current study encompasses those factors of IT tools and business techniques that enhance the customer retention in modern highly competitive business world. Among the IT tools, online contacts and use of appropriate email have been focused upon. On the other hand, certain attributes of leaders have been pointed out that are very crucial in enhancing the customer retention. At the same time it indicates those negative activities that are performed for customer retention but actually lead to customer defections. This study has been done in prospect of modern business world. For the sake of research purpose it has been assumed that all other retention factors like; product, quality, services, price, value and after sale services are constant and competent among all competitors.

KEYWORDS:

Customer retention, customer defection, information technology, software.

INTRODUCTION

There was a time when companies took their customers for granted. Usually customers did not have many business places or there used to be just only one shop of high quality product and satisfactory services, or the market was expanding very fast so the companies did not worry about customer satisfaction and customer retention. As per the Kotler, at that period: "A company could lose 100 customers a week, but gain another 100 customers and consider its sales to be satisfactory. Such a company, operating on a 'leaky bucket' theory of business, believes that there will always be enough customers to replace the defecting ones. However, this high customer churn involves higher costs than if a company retained all 100 customers and acquired no new ones." (Kotler, P. et al, p.385, 2008)

Research on customer retention has started approximately from 1990 (Mascareigne, J., 2000). A good volume of valuable work is available on the issue of customer retention. Most previous researchers have concentrated on customers' point of view. They have indicated it as a factor of behavior (Ranaweera & Prabhu, 2003). As per the conclusion of (Gumesson, 2002), the turning point is that what a value a customer feels to derive from his experience with a certain product or service. That is what leads to the retention or defection. Winer (2001) points out that a firm should always try to get acquainted with the behavior of customer and those customers should be focused who will be able to give rather long term benefits to the organization. Customer retention strategies, as defined by Eagen (2004), should concentrate on the existing customers with the aim of getting their loyalty for a longer time if not for ever. Furthermore, Eriksson and Vaghult (2000) discuss that if the firms are really to get advantage of customer relationships strategy, they should focus on those customers who have already been retained for finding out the real reasons behind it.

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In another study, McIlroy and Barnett (2000) also are in the favor that profit ratio is more with existing customers and concentration should be on increasing such customer instead of new ones. If the market share is rising, allocation to customer retention should be more and when market share is going down new customer acquisition should be greater (Fruchter & Zhang, 2004: 12).

Retained customers cost less to serve because they do not consume costs of setting up (Skogland and Siguaw, 2004). Retained customers purchase more and are ready to pay more. They also serve advertising for the business with positive word of mouth. Customer retention may be measured in terms of absolute number of staying customers as a percentage of the original number over a definite period, say one year.

LITERATURE REVIEW

In spite of the fact that retained customers benefit more, businesses usually do not seek profitability through an approach of customer driven marketing (Jamieson, 1994). Business should be serious and proactive in achieving customer retention defining what is the meaning of customer retention for business and applying measures (tools and techniques) to increase ratio of retention (Aspinall, Nancarrow & Stone, 2001). A small percentage increase in retention rate leads to a large increase in the net value of customers. Companies must pay close attention to their customer defection rate and undertake steps to reduce it.

Product, production, place, promotion, price, after sale services, quality, organizational culture, firms' behavior towards society and next generation, etc. are crucial factors for customers to get and keep them retained from being defected. For the sake of simplicity, in this research all these factors have been assumed to be on competitive and unique level being a modern business world. Out of numerous factors of customer retention, this research deals with particular two basic factors of customer retention; IT and business techniques. Again, IT has a great impact in all activities of any organization. In this study, online contacts and emailing services have been taken for study as a specific factors of retention. Additionally, managerial and behavioral factors have been focused which are usually neglected although they are the factors of major contribution to retention of customers.

IT TOOLS AND CUSTOMER RETENTION

Information Systems comprise on software, hardware, people, communication devices, networks etc. for transforming, storing and retrieving information, whereas Information Technology (IT) refers to all software and hardware that an organization uses to achieve its business goal. It includes computer, mobile devices, software (like Windows or Linux), and many more computer programs as per the requirement of a typical firm (Laudan K.C & Laudon J.P., 2013). It is one of the key factors in achieving organizational efficiency in business. It plays very crucial role in customer satisfaction and hence their retention and loyalty that results in firms profit share. It is a sustaining agent of any modern business. Saroja S. (2012) has truly expressed "We are now wireless and seamless and cashless and everything less and can get any information we want and need." Modern business must realize this facility and optimize the use of information technology for customer retention and business growth.

IT has great impact on the way of communication and establishing the relationship of the companies with their own clients. It is very crucial for them to remain in contact with the clients on regular and faster bases to achieve trust and loyalty of their customers. Using internet and social networks companies with customers and answer their queries. Effective communications not only builds relationships but also formulate good reputation among public.

Using Computing Tool

Out of the numerous uses of IT in all sections and modern business, this study will focus on computing, internet and media facilities along with their use for customer retention purpose. For this purpose, first step should be preparation of customer retention content to keep them engaged, well informed about how to best utilize the services provided or goods sold to them enabling them to maximize the value. There could be many different types of retention content.

Email newsletters are central to any customer retention strategy. Business should use email for delivering news and announcements, product tips, event information, and more. Customer support content may include FAQs, help guides, video tutorials, product guides, web site copy, etc., all play a crucial role in helping customers better use your product or service. Webinars are used for acquisition, conversion and retention. As a retention piece, they help customers understand how to use the product, and also enable them

CUSTOMER RETENTION: IT TOOLS AND BUSINESS TECHNIQUES

to ask questions of product specialists during live webinars or through emails if not live. Short product videos and screen casts are one of favorites ways to educate customers. Hearing and seeing are often more useful than reading. Blogs are great for keeping customers updated on the company, and providing product information and tips and tricks. Usually blog content is distributed through social channels. In many ways, social media — Facebook, Twitter, LinkedIn — is an extension of email list, but more interactive and in real time. Customers choose which channels they wish to receive their brand communications: email, social, mobile, or a combination of all of them.

Using Email as Customer Retention Strategy

Email communication is very simple, least expensive and personal method that is very useful in improving the retention rate of customers. Still, the majority of marketers believe and use email marketing as a major effective factor of revenue. Email is a personal and traceable means of communication. Most of the companies in modern business world utilize email services for customer retention. Many more marketers are spending a lot of their earnings for acquiring new customers and retaining them. So it is very relevant and crucial to use emailing tool for increasing customer retention level. The most common reasons why businesses lose their customers is due to the lack of customer link and relationship building. Here are some good ideas on how to use email for establishing long relationship with customers and consequently, boost retention. For this purpose, businesses should send personal and informative messages to their customers. Using advanced softwares it is easy to track customers' actions and send more accurate and relevant messages. Remember, it may also require not sending messages to many customers based on the experience. In fact, a good number of businesses lose their customers due to sending them irrelevant and repeating emails.

In modern business relationship with customer is build through email. They don't meet face to face so it is very pleasing to the customer if you invite them to live events. By sending invitation to a live events or a group marketing activity you express your customers that you actually care them. You may also send friendly events at the occasion of invoice preparation, special promotion, renewal or hosting a new webinar. Mails including special promotion or discount encourages customers to continue buying your products. You may use a software of email marketing that enables you sending different emails at different occasions. Customer feedback plays important role in improving your product and marketing and thus gaining the retention of customer. Without having information about your customers feeling regarding your services or product you can not take reasonable decisions. For getting feedback from your customers email plays an effective role. You may achieve many benefits through sending emails to your customers. Email being traceable, you may easily know who opened your emails, who responded and who is a need of follow up. Also email allows you quick feedback on customers problems and their solutions. Another advantage of email is the automation of emailing process. Doing manual survey of the customers requires numerous staff and very long period. Through automated process of emailing you may get survey result within minutes. Many more companies use email facility to send their messages. Here it is important to make your emails felt personal by your customers. They should not develop a feeling that they are just a number in the mailing list. Using personalized emails you may break through the customers protection from junk or bulk email.

Emailing is most effective and easiest method for sending messages on special occasions, for example birthday, national festivals, religious events etc. This shows that you think of them and care about them. If you think to include a small gift in such emails that is far better. You may also use email services to educate and train your customers on the product or service they have just purchase from you. A properly educated customer fully understand the benefits of your products that results in full satisfaction and retention.

BUSINESS TECHNIQUES FOR CUSTOMER RETENTION

In addition to IT, many more business techniques promote the customer retention. These are related to personal traits of managers. At many occasions, it is required to manage mental cases and adopt psychological approach accordingly. In some other cases, minor administrative intelligence produces a big result, while in some others leader's role is the decisive feature. Establishing a good relation through personal dealing has its own benefit. I will discuss the business techniques for retention in three sub-spheres which are; psychological; personalized and managerial approaches.

Psychological Approach

For this purpose, you need to identify your target customers with all details and then design a

CUSTOMER RETENTION: IT TOOLS AND BUSINESS TECHNIQUES

brand message that perfectly matches customers' suffering, requirement and aspirations. If customers are not happy and satisfied with your procedures of selling they most probably will not continue doing business with you. It means that selling in a correct way is an important part of maintaining retention. Special words that persuade customers and encourage them to buy more than others are also very effective, for example "New", "free", "recently." Customers after hearing these words, will enjoy purchasing more. Reciprocity is the social phenomenon that encourages the customers on returning back. It will even be more forceful if started with surprise. For example, a surprise gift will create a positive relationship for long time.

Ask your staff to give more time to the customers. Many studies in behavioral psychology have proven that a customer feels his service experience as more positive when they are neither behaved in a rushing way nor felt being ignored. On the ground of online customer service, the best way to improve, is to utilize the channel your customers like most. As a matter of fact people still prefer and use email more than other services of social networking. Being a manager or owner you require to pick the channel that is more relevant to your business.

Personalized Approach

The main point for success in business is to make your customer believe that they are more important to you than others. The basic strategy for retention is to give emphasis on customer base style of living. Listen to your customer and exceed their expectations. You should follow the policy of under promising but over delivering. If in a circumstance you are enable meet your promise inform the customer before hand and try to compensate for being late through some way. Ask your employees to do some acts of kindness occasionally, such as receiving them with a big smile, calling them with their names if possible, opening the door for them, or helping them with their purchases to their vehicles. Your readiness for walking extra mile with your customers will pay you back more.

Try to offer some unexpected gift to your customer. For example, if a customer have purchased a laser printer, you may send him a free cartridge after two months with a personal note "I know you need it." Send a thank-you letter after customer purchasing from you. If you know your highly loyal customers, then don't simply take them granted that they will remain same for you.

Keep in touch with your customers at certain frequency. Manage to deliver news letter to them. Send a special offer at the anniversary of first purchased of your customer. You may dial some selected customers informing them about a new or special product. If you are going to start a big sale invite your selected and loyal customer to attend the sale one day before opining it to general customers. It is appropriate to give training to the customers free of cost if feasible.

Managerial Techniques

Being an owner or manager you don't need to spend big amount to get a valuable lesson in building customer loyalty. A dynamic and popular manager can do a lot in customer retention that cannot be achieved otherwise. If you are committed to following principles, you are going to retain each single customer who comes to your contact.

Make yourself instantly available to customers for any emergency or complain. Remember that to lead, you need to gain the trust of your customers, staff and vendors. The most effective way to gain trust is to get personal with the customers. You can't earn customer trust and loyalty if you are hiding yourself from them all the time. Think of working hours of your business. It should be convenient for all customers even if not convenient or costing extra for you and your subordinates. Be on time. Accomplish the work before the promised time. You should have the sense of urgency and accountability. Don't judge the customers' plights from your own point of you. Remember little things matter a lot. Take care of all micro points that can down grade yours or your organization's image. Always be a good pleader and lawyer of your customer. Customer areas should be cleaner, comfortable, pleasant and furnished with basic services. They should be treated and entertained in proper and respectful way while waiting for required services to be accomplished. Charge competitive prices for product/service and have an unique and innovative customer loyalty program to make sure the customer keeps on coming back. Always set a high standard and look for exceeding it. Develop a business culture that consistently looks for exceeding customer's expectations. Love what you do and know who you are. Better not to continue your work as manager or as any of your subordinate if you don't love your work. Care about your customers and show it through your actions not just your words. Customers are always intelligent and sensitive in judging you. Overacting, reacting negatively, promising higher, consuming more time of customers pretending a longer required work, etc. are very good traps against you and your organization. Being a true leader, concentrate on building and enforcing a customer centric culture. Let all your employees ride on the same boat you are shipping. One of

managerial important tasks could be taking groups of retention numbers in the past and apply them to the future for the purpose of making accurate predictions regarding customer life time value, tenure, etc. (Lin, J., and Xu, X. (2009).

CONCLUSION

In highly competitive modern business world, customer retention management has gained higher importance among both goods and service providing organizations. Customer retention management has several components and factors like: product, quality, competitive price, location and after sales services etc. In this research work, two micro factors was focused upon; online relationship using IT, and personal traits of organization leader and his managerial skills assuming all other factors of retention as being already accomplished. There could be many more potential uses of IT facilities for customer retention in addition to the aspect that has been highlighted in this study. This study is relevant to a society, which is quite modern and highly competitive in prospect of both customers and sellers. So, this may not prove relevant to an environment, which is not so developed technically or socially as it has been assumed.

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