CUSTOMER RETENTION ANALYSIS



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1. Introduction

Customer retention is a variety of activities aimed at keeping customers for the long term and turning them into loyal buyers. The end goal is transforming first-time customers into repeat customers and maximizing their lifetime value (LTV).

For many businesses, customer retention is a key KPI, because a company's ability to retain existing customers is fundamental to both its short-term and long-term success.

Some key reasons include the following:

- It is often much cheaper to retain existing customers than acquire new ones. Sales and marketing
 acquisition costs usually greatly outweigh costs related to customer service and ongoing customer
 satisfaction.
- Loyal customers tend to be repeat customers, meaning they're valuable. Increasing customer
 retention, increases the chance that a customer will become a loyal, repeat customer and can
 massively increase profits.
- It is more effective for businesses to upsell or cross-sell to their customers as they already have a relationship built on trust and product satisfaction.
- Happy customers can often lead to gaining new customers through referrals.

It's clear that customer retention should not only be an important metric, but a core goal of almost every business. So, let's first look at how we can measure it, before discussing different ways to improve it.

2.Advantages

These are some notable advantages of Customer Retention

1. Retention is Cheaper than Acquisition

While the old adage about "it costs five times as much to acquire a new customer" may not be accurate in every case, the basic principle is spot on: it's more cost-effective to keep someone in the fold than to bring in new customers. Even still, if it's data you want, there has been plenty of research into acquisition vs retention, and every one of them has come back with the economics favoring retention as the more economically viable focus.

2. Loyal Customers are More Profitable

Not only is loyalty cheaper, it has better returns. According to research, engaged consumers buy 90% more frequently, spend 60% more per transaction and are five times more likely to indicate it is the only brand they would purchase in the future. On average, they're delivering 23% more revenue and profitability over the average customer. While loyal customers are more profitable, don't take their loyalty for granted. They'll be more open to price increases, but be cautious not to raise prices simply to see how long they'll stick around. Lifetime revenue is the end goal, not just today's revenue.

3. Your Brand Will Stand Out from the Crowd

Put your consumer hat on, and consider how many brands you interact with that actually seem to value your patronage. Most brands focus on acquisition, which makes the retention-centric among us stand out even more. People see around 10,000 marketing exposures a day, but only engage with a few of them. The ones that earn continual engagement are those with whom they feel an emotional connection with on some level.

4. Earn More Word-of-Mouth Referrals

Your loyal customers will be your best source of new business. Despite all the efforts into online and mobile marketing and social media, people are still most strongly influenced by referrals from friends and family. Millennials in particular will spread the word of a brand's exploits: 90% share their brand preferences online.

5. Loyal Customers are More Forgiving

An Accenture study states over \$1.6 trillion is lost each year due to customers bailing after a poor service experience. We've gone so far as to claim that it's the top reason people will ditch a brand. But customers who consider themselves loyal will let some misdeeds slide - just don't let it happen too often.

6. Customers Will Welcome Your Marketing

No one likes being marketed to. Except for loyal customers! Those folks are four times more likely to say they "appreciate when this brand reaches out to me" And seven times more likely to "always respond to this brand's promotional offers."

7. It's Better for Employee Health

Customer retention is basically relationship building. Good relationships make life better for everyone. They're mutually beneficial. Sales, on the other hand, are transactional. They're very price-sensitive and come with a lot of "What have you done for me lately?" attachments. Meeting regular quotas that rely on converting strangers into revenue is not for the fainthearted. To a business, being relational makes everything easier. Customers are less likely to fly off the handle at the first sign of distress. That protects your revenue and makes life easier on your employees - who play a huge role in customer loyalty.

3. Problem Statement

Customer satisfaction has emerged as one of the most important factors that guarantee the success of online store; it has been posited as a key stimulant of purchase, repurchase intentions and customer loyalty. A comprehensive review of the literature, theories and models have been carried out to propose the models for customer activation and customer retention. Five major factors that contributed to the success of an ecommerce store have been identified as: service quality, system quality, information quality, trust and net benefit. The research furthermore investigated the factors that influence the online customers repeat purchase intention. The combination of both utilitarian value and hedonistic values are needed to affect the repeat purchase intention (loyalty) positively.

4. Problem Understanding

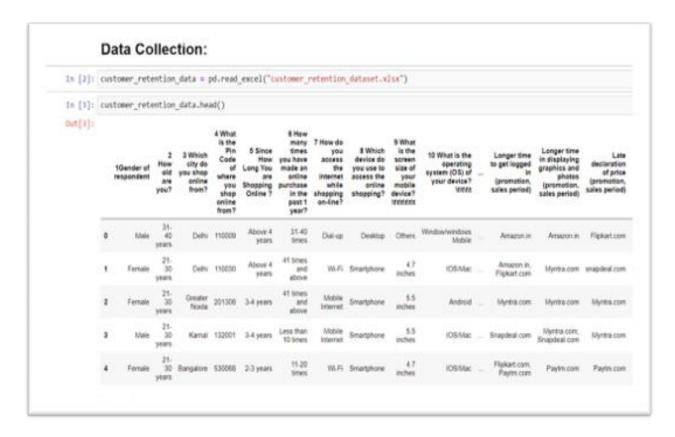
Customer retention means the process of maintaining or keeping customers once you have acquired them. It's all the activities that a company must do in order to keep their customers around. The goal is to build a long-lasting relationship between the brand and consumers. Once a customer becomes loyal to your brand, not only he will buy more from you than a normal customer but he'll spread good words about your business, increase your reputation. Here we have to analyze the effect of different feature on customer retention.

5. Necessary libraries & Data Collection

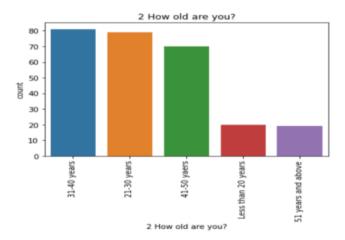
These libraries are required to import the data

- > import pandas as pd
- > import numpy as np
- > import seaborn as sns
- > import maplotlib.pyplot as plt

Data Collection:



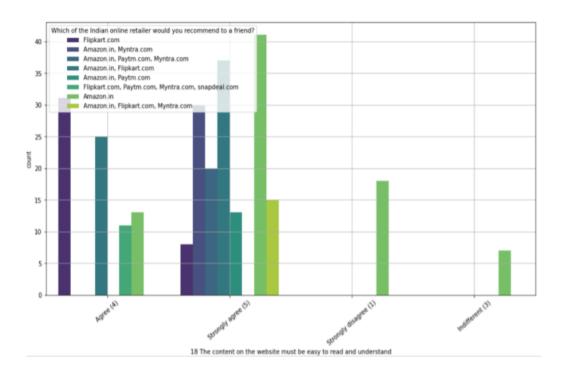
6.Graphical Visualization



Observation:

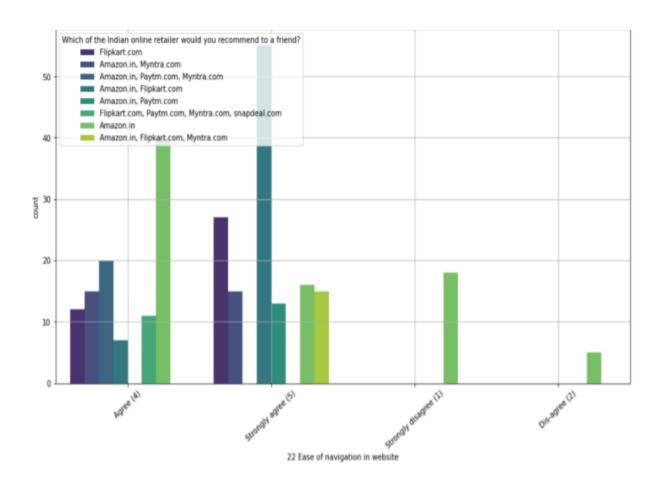
Here we can see that the column "How old are you?" has the highest count for "3 years old" and followed by "2 years old" and we can observe that "1 and 5 years old" are with similar count.

Bivariate Analysis



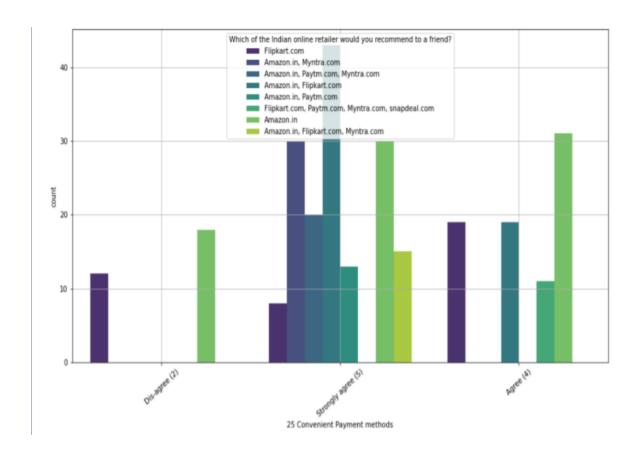
Observation

Among all the other websites based on recommending to the friend here the website which is easier to read and understand is "Amazon.in".



Observation

Here we can see that based on recommending an on online retailer to a friend, the website which is easier and comfortable in navigation is "Amazon.in,Flipkart.com".



Observation

Here we can see that based on recommending an online retailer to a friend, the website which is with convenient payment methods is "Amazon.in and Flipkart.com".

Correlation plot between the attributes

7. Statistics

I used chi2 test on most important variables that contributed for website recommendation to a friend, which we initially considered that is the major factor that determines whether the buyer is retained with the experience provided. In this chi-squared test, the alpha value considered was 0.05 (5%). For every 2 categorical variables test the Null Hypothesis assumption was the variables were independent of the variable "Website recommended to a friend". And the Alternate hypothesis was the variables tested were actually dependent on the "Website recommended to a friend". The results of the chi2 test clearly pointed that the p value for all the variables were less than the alpha value (0.05) confirming the dependency of the variables over the "Website recommended to a friend".

8. Assumptions

- Easy to read and understandable content
- Relevant information on all the products
- Easier website design and navigation
- User friendly Interface Convenience in payment methods Trust and On-Time Delivery.
- Better Customer Service Secure and offers complete privacy to their customers
- Discounts and Monetary Benefits
- Wide range of options and product selections Flexibility in their offers and services
- Return and Replacement policies
- Quality information on websites
- Quality Value for the money spent

9. Limitations and Scope for the future

The data used to analyze the customer retention was very less the answers towards the e-commerce sites were combination of two or more e-commerce sites, the survey answers should have been limited to maximum 2 websites in order to understand the retention rates better. It would have been beneficial to include a question asking that "Which website would you purchase from again?"

10. Conclusion

- A. From the above analysis, I can say that the companies with highest retention and customer satisfaction rates are Amazon.in and Flipkart.com because their positives are in line with the buyer preferences and they are most likely to use these websites for purchases in future.
- B. The company with moderate retention rate is Myntra.com
- C. Further, the company with very low retention rate and customer satisfaction is with Paytm and Snapdeal because most of the factors are not in line with the customer preferences and they are less likely to use this website again for online purchase.
- D. Customer satisfaction plays a major role in retention, A company should first understand what customers expects while purchasing online (e-commerce) and build a better buying experience which will in turn retain the customer. An unforgettable experience is what drives customers to buy again and again