

# **Customer Retention**

Submitted by:

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## **OBJECTIVES OF THE PROJECT**

1. To identify the present situation of E-commerce platforms
2. To identify the ways to retain the customer

## **SCOPE OF THE PROJECT**

Successful companies are constantly working in the field of customer retention, because

without customer retention it isn't and wasn't possible to be successful in the long term.

Currently many companies are facing an aggressive battle regarding customer retention. This

Study will help E-Commerce companies to know the relinquishment level and how to retain the customers

## **INTRODUCTION**

Retention is a business's ability to keep existing customers and continue to generate revenue from them. Companies use different tactics to convert first-time buyers into repeat shoppers. In other words, customer retention allows a business to increase the profitability of an existing customer and maximize their lifetime value (LTV).

### **Why Is Customer Retention Important?**

Customer retention is vital in driving repeat purchases and ongoing value from your customer base. One oft-cited rule of thumb is that it costs five times as much to acquire a new customer as it does to retain an existing customer. Two of the most important factors in improving customer retention is understanding your customers' satisfaction and loyalty. Businesses also need to understand any operations that may turn off potential and existing customers, such as slow or poor customer service or a faulty product.

## Customer Acquisition vs. Customer Retention

Customer acquisition refers to the actions or processes designed to help a business gain new customer. This includes any efforts focused on finding new leads or turning prospects into paying customers.

Customer retention, on the other hand, happens after you acquire the customer. Once they make a purchase, you're trying to build loyalty and drive repeat business.

### Benefits of Customer Retention

The main benefit of customer retention is the ability to maximize the amount of money you can extract from each customer. There are also other benefits including the following:

- **Increased profits:** Many companies generate the majority of their revenue from existing customers—61% of SMBs said this was the case, per a BIA/Kelsey report—so focusing on this part of your business should be the priority. It will not only increase your revenue, but also your business's profitability.
- **Lower costs:** Retaining an existing customer is anywhere from 5-25 *times cheaper* than acquiring a new one, according to Bain & Company, so it's a much more cost-effective strategy in the long run.
- **Increased average order value (AOV):** Repeat customers tend to spend more over time while increasing their average order value. That's why just a 5% increase in retention rate can lead to profits growing 25-95%, per Bain & Company. And loyal customers are 23% more likely to buy again than others, according to a Gallup study.
- **Acquire brand ambassadors:** Word of mouth is one of the best ways to grow your business organically. The more loyal your customers, the more likely that they'll share positive experiences and recommend your company to others.

## Customer Retention Statistics

Here are some more statistics that demonstrate why focusing on customer retention is vital to your business:

- i. Poor customer service would convince 39% of people never to use a company again and 37% to change suppliers, according to [research from New Voice Media](#).
- ii. [Temkin Group](#) found that 77% of customers would recommend a business to a friend after having just one positive experience.
- iii. It takes 12 positive customer experiences to make up for one negative experience, according to Ruby Newell-Legner's "[Understanding Customers](#)."