Customer Retention :- E-Commerce

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**Abstract Purpose** :- The purpose of this study is to examine how changes to the Decreasing Customer retention by modelling of a leading E-Commerce solution provided by way of altering customer experiences could prevent further customer attrition and instead promote customer retention. This study also aims to clarify the root causes of customer attrition existing within the current customer journey and suggest efforts aimed at increasing customer retention. Method: The methodology used in this study is qualitative in the form of semistructured interviews and has used a deductive approach to research. The approach has been conducted as interviews serving two perspectives: Internal and External. Internal perspective is comprised of interviews conducted with the case phenomena such as employees and managers, whilst the external perspective is comprised of customer insights. Both perspectives have been used to answer the main research questions, just as theoretical literature proposes it a necessity when analysing customer experiences.

Conclusion: The conclusion derived from this study suggests that despite all customers appreciating the product/service provided by The Corporation, customer dissatisfaction stems from activities later on in the customer experience. These activities are perceived as inefficient due to long lead-times when managing advanced software issues as well as perceived information asymmetry within different departments in The Corporation towards the customers. This has implications on the business model as it is directly related to the capture of value from customers later on in the customer journey. Business processes currently used to maintain and service customers represent both the main source of value for The Corporation as well as the root causes of customer dissatisfaction. Efforts aimed at preventing customer attrition and increasing customer retention involves more efficient advanced issue management either by contingency planning or re-allocation of resources to prevent long-lead times of issue management. Multiple main points of contact towards the customer and increased interdepartmental customer-centric communications within The Corporation would increase information symmetry as well as improve customer satisfaction, customer experience and finally and promote customer retention.

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7. **Introduction**

The relationship between customer satisfaction and retention have even been studied and proven to differ across industries. However, the fact remains that business need not only develop capabilities to attain customers but also retain them in order to survive, especially in a global and technological context where opportunities as well as competition constantly increase. As there is a link between the inherent business model (BM) and the customer retention, this link does indeed vary depending on what industry the business operates in i.e. characteristics, is it a mature or growing industry.

The opportunity for further research on the phenomenon of customer retention within a Ecommerce is justified as a result of the investigation is carried out in this study.

There is a real danger of E-commerce losing control of predictable revenues as this technology has handed the bargaining power to customers. The theory suggests that the lack of customer focus sees the customer base dwindling as existing customers are not actively recycled through retention efforts while the amount of new customers being fed into the customer base is at a much slower rate provides an interesting finding that customer retention is on the top of many companies’ lists of priority, yet they lack the skill or knowledge to define or measure retention.

Customer retention is an outcome of well-executed strategies that directly relate to the practice of Customer Relationship. A strong relationship with the customer supplemented by customer-centric standards and a frictionless customer experience has proved to enhance loyalty and competitive advantage. While the competitiveness of the industry has highlighted the importance of customer retention, the Ecommerce’s ability to future-proof itself through prioritising the loyalty of the customer has positive implications for the profitability and sustainability.

**AIM**

The main question asks, How does a Giant implement strategies that effectively promote customer retention? The outcome of the research is broken down into three main objectives that look to inform the research question:

1) Assess the importance of customer retention.

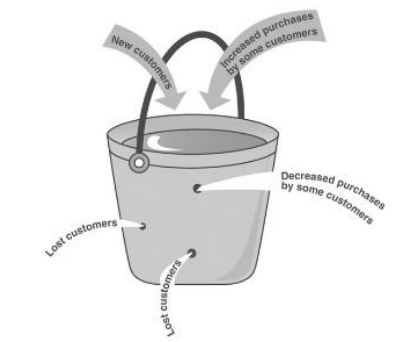
2) Understand the challenges faced by Ecommerce in retaining its customers.

3) Identify the strategies that encourage repurchase behaviour of existing customers. The importance of customer retention emphasises the need for a greater commitment and investment.

The findings will be analysed and interpreted for discussion with relation to the current literature on customer retention from which marketing practitioners, researchers and key stakeholders can be benefited. The study will highlight the growing importance of customer retention.

1. **Literature Review**

This chapter includes both theoretical and empirical research on the phenomenon of customer retention. The bucket theory, introduced by former VP of Holiday Inn, James L. Schorr, is a simple idea emphasising the strategic requirement for customer retention to develop a sustainable business.

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Above figure illustrates the theory which represents the customer base being filled with new customers and new purchases by both new and existing customers. The bucket is ‘leaking’ customers who are lost over time as they find alternatives that effectively suit their needs. It highlights the importance of keeping a consistent base of customers for a business to operate at a profitable level and strategies are required to continually meet the needs of customers.

A shift in strategy from acquiring customers to retaining them requires a change in organisational mind-set and culture. While many organisations are found to be practicing retention activities, many are not well-equipped internally for it to take great effect, the barrier being that its systems do not support implementations.

The Concept of Customer Retention

Customer Retention has been broadly defined as the ability of a business to get existing customers to repurchase from them.

Advantages of Customer Retention

* **Customer Advocates**

Repeat customers with a strong relationship with the business are more likely to recommend to others in comparison to new customers and are considered valuable advocates of the brand or company. As a result, they are more forgiving when they have a less than satisfactory experience and are more likely to provide constructive feedback on areas that the company can improve on.

* **Profitability and Cost Efficiency**

It is widely agreed by researchers that the investment required for customer acquisition is significantly higher than for customer retention. customer retention has gained more attention among firms as a result of CRM (Customer Relationship Management) activities being more cost effective and predictably profitable.

* **Customer Lifetime Value (CLV)**

The Pareto principle refers to a general pattern of sales concentration in which 20% of a firm’s customer’s account for 80% of the firm’s profits. It suggests that a firm’s most valuable and loyal customers are the 20%. Understanding why they are the most valuable will help to shape strategies that maximise the value of less profitable customers. CRM systems allow businesses to determine which customers hold the greatest opportunity to be retained.

* **Customer Complaints**

Complaints by customer have a correlation to their repurchase intentions and their propensity to recommend to others. Word-of-mouth both on and offline are considered one of the strongest marketing influences on consumer behaviour due to the opinion being independent of the firm’s biased pitch. Complaints seem inevitable but their power to affect the reputation of a business is significant so a process seems critical for reducing the effects.

* **Conclusion**

Academics agree that the car retailing industry sees major relevance in nurturing relationships to retain customers for competitive advantage. The need for retention strategies with the current challenges within the motor industry discussed, the literature lacked up-to-date applications of strategies for retention within that industry. The current study will look to explore activities that are currently executed by an Irish car dealership and identify how they are optimised for the business’ retention goals.

1. **Methods**

The aim of the method is to guide and identifying the appropriate data collection techniques pertaining to Customer retention. Qualitative researchers are interested in understanding how people interpret their experiences and what meaning they attribute to their experiences. The reliability on human experience is a strong feature of qualitative research. A qualitative method in the form of a case study is adopted for this research and an overview of data collection methods is presented along with sampling and analysis techniques.

To obtain this insight, data collected from various departments in the dealership needs to be interpreted in order to identify what strategies are effective in retaining customers for informing best practices in customer retention.

Qualitative methods of research such as case study provide data which is primarily descriptive as opposed to statistical and allows for interpretation to develop a deep understanding of the processes of the problem area and perceptions of a related sample. Relying on the quality and depth of insight from qualitative data, the key events can be identified that result in specific outcomes which contribute to the development of explanations of behaviour. Particularly for this approach facilitates exploration and organisation of ideas for creating models relevant to the topic.

The research objectives reflect an explorative approach as this study attempts to understand:

1) Why customer retention is important.

2) What the current challenges are for a Ecommerce to retain its customers.

3) How strategies are implemented to influence repurchase behaviour of customers.

1. **Findings**

The data gathered from the case study sources including interview quotes, observations made and documents supplied. Recurring themes were identified under each research objective which illustrates the main findings.

Participants provided detail on the orientation which focuses on the value of long-term relationships with their customers. “There is the 80:20 rule where a section of your customers are bringing in the greatest level of revenue and it’s important that those people are retained but there’s a whole bank of customers who are going to be those customers in the future if they are treated with the same potential.”

“There has been a shift in customers’ perception in the last couple of years where they see everything as being ‘up sell’, a word I hate, and I’ve moved away from it...What we do is give best advice from a safety perspective, which tends to fall back on us if we don’t pinpoint issues before things go wrong. We’ve got the customer’s best intentions in mind. When customers have a bad experience, it effects all the departments and they tend to tell others so there’s a knock-on effect which compromises the number of new prospects. Being driven by both the manufacturer and the financial services companies so they see it as easier to retain a customer from a cost point of view, than pursuing new customers.

To go get new customers is often a lot harder than to keep the ones that you have.” The Head of Business provides the consequential perspective in the cost of not focusing on retention. If we don’t intend to retain customers, we’ve got to find new customers which cost a fortune in money. If we’re losing customers, they make it difficult for us to find new ones because of reputational damage.

1. **Discussions**

The results of the case study serve to enrich academic debate and also to persuade to allocate more resource towards customer retention. It indicates that traditionally, customer acquisition is where the majority of marketing budget was being spent, highlighting the need to invest more in retaining existing customers. This study shows that a focus of resource in the dealership on maintaining loyal customers has a significant impact on the sustainability of the business. Furthermore, customers have high expectations due to the variety of alternatives and the large number of touch points makes defection a real risk.

The Bucket Theory implies that customers are lost when they find an alternative that better suits their needs and maintaining a desirable level of customers in the bucket boosts the sustainability and profitability of the business. A focus on customer retention is important because there are many opportunities for generating revenue at different touch points in the lifetime of the customer’s relationship. The amount of knowledge held on the customer determines the strength of the relationship. The importance of customer retention as long as reputation for being customer-focused and sees every customer as an opportunity to be retained. Customer retention is an important area of focus for, due to the value that a customer can bring to the business over the lifetime of vehicle ownership. Strategies with long-term implications are considered more effective for retention than short-term gains.

* **Referrals**

Thedefinition of customer loyalty implies that a strong relationship is imperative for customers to be positive advocates.

* **Cost Efficiency**

The practice of customer retention is found to be cost efficient by a number of authors claiming that activities for acquiring customers are six times more expensive than those for retaining them. Customer retention activities are driven by both the board of directors in a bid to market more efficiently and the manufacturer for gaining market share.

* **Competition**

A strong competitive presence for the Ecommerce is a significant challenge to retaining its customers. As a result of a wide variety of Ginats and the changing needs of customers, the cost of switching between brands is relatively low.

* **Customer Satisfaction**

The competitive nature of the industry has made it challenging to satisfy the changing needs of customers. While the interview participants of the case study agree that satisfaction is closely related to customer retention, it is not an accurate indication of the customer’s intention to repurchase as other factors also play a role in influencing retention.

* **Customer Culture**

A change in organisational mind-set is required for successful retention. Some businesses believed that strategies to acquire new customers without any specific focus on their needs would organically have a positive effect on retaining them, unaware of the actual effect on customer churn.

1. **Conclusion & Future Research**

The research sought to identify best practices implemented while highlighting some implications of not focusing strategically on customer retention which contributes to understanding the importance of retaining existing customers. Customer advocates, profitability and Customer Lifetime Value were the main elements identified in the literature highlighting the beneficial outcomes of a focus on retention. Competition and customer complaints were two challenges understood to negatively impact on the retention of customers. An awareness and knowledge of these elements are valuable insights that have guided the development of strategies to maximise the benefits and tackle the challenges. The competitiveness of the automotive industry and ensuring consistent customer satisfaction were among the challenges identified in retaining customers. The saturation of the car retailing market through frequent introduction of new brands and models to reach new segments as well as the sophistication of the internet giving the buying power to customers have been contributing factors to competitive rivalry. This has made customer acquisition even less attainable.

The current investigation has highlighted opportunities for further investigation on the phenomenon of customer retention. The findings have emphasised the 62 need to invest in setting out strategies that retain customers due to benefits of profitability and sustainability for the business in the long-term.