A

Project Report

On

Customer retention case study for different e-retailers

In partial fulfilment of internship provided by

FLIP ROBO TECHNOLOGIES

Submitted to:

SWATI MAHASETH

Submitted by:

YASH BHARDWAJ

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CHAPTER 1: SUMMARY

Businesses work hard to attract customers through a mix of marketing, social media and brand strategies. You have invested a lot of time and effort (and probably money) gaining your customers' trust. It only makes sense that you want to hold on to them.

That is where a strong focus on customer retention comes in handy. To improve customer retention, you have to look at your entire customer experience. The customer experience involves everything customers think and feel when they encounter your brand.

Customer-facing interactions, such as support ticket resolution or how a brand communicates its values, are a few factors that can affect a buyer's relationship with a brand. You will keep more customers by creating a seamless experience that makes them happy every step of the way.

However, if your business falls short of customer expectations, you risk losing those customers.

CHAPTER 2: Objective of the project

Title of the project: Customer retention case study for different e-retailers

Objective of the project:

- To study the given dataset

- To analyse the customer retention dataset

- To perform exploratory data analysis(EDA) and visualization of dataset

- To describe findings and conclusion

Scope of the project:

- In this competitive world retaining customers has become important part and parcel of the business activity, since in this arena the people who adopt to changes and new technologies will survive.

- This study will help to understand customer need, preferences and what they need from the service station.

CHAPTER 3: Review of literature

WHAT IS CUSTOMER RETENTION?

Customer retention refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor. It indicates whether your product and the quality of your service please your existing customers. It is also the lifeblood of most subscription-based companies and service providers.

While customer relationships typically begin with an initial interaction, customer retention metrics are related to the first purchase made by a customer and include all subsequent interactions. Once customer retention is measured, organizations can use this feedback to perform data analysis on components of customer experience and customer success. For example, if a drop in customer retention is reported, an organization can use this to help identify the root cause and adjust its product offerings.

Customer retention is critical because the cost of acquiring new customers is much higher than retaining existing customers. Retained customers are also more likely to engage in word-of-mouth marketing or become brand ambassadors.

WHAT IS CUSTOMER ACTIVATION?

Customer activation refers to the act of motivating customers to fully realize the benefits of the product they are testing, hence increasing their overall

engagement. The result could be generating a new customer or re-engaging an inactive one. Whatever it is, activation happens when a customer becomes enthusiastic about your product or service through relevant marketing by fully understanding its benefits (the elusive 'aha!' moment).

Consumer activation plays an important role in engaging customers and increasing sales. Here are two main benefits of customer activation.

1. Customer activation is important in a world where customers seek trust and relationship with a brand. They are looking for a long-term solution to their problems and a brand to relate with.

2. Consumer activation enables and complements other marketing communication tools. Since this activity has customers at its centre point, once you have reached a customer and appealed to them, engaging them again becomes easier. It is akin to creating a path towards a customer. Once that path is created, reaching your customers with other forms of communication is simpler.

WHY IS CUSTOMER RETENTION SO IMPORTANT?

There are many excellent reasons to focus on customer retention:

- It's up to five times cheaper to retain your current customers than it is to acquire new ones.
- The probability of making a sale to an existing customer is 60-70%

- Retaining your current customers increases word-of-mouth recommendations and loyalty

- Existing customers are more likely to spend 30% more on a new product than a first-time customer.

- A higher customer retention rate leads to greater profits and lifetime customer value (LCV).

- Long-term customers can provide useful data and feedback for future brand campaigns and strategies.

Customer retention can suffer when you attract new customers and grow quickly but struggle to implement a strong customer service strategy as a foundation to support that growth.

CHAPTER 4: Customer retention strategies

1. Provide value with every interaction throughout the customer lifecycle

2. Make your interactions tailored and personal

3. Give your churning customers special treatment

4. Reward your brand advocates

5. Solicit and implement customer feedback on a routine basis

6. Resolve customer issues and queries in a timely manner and to the best of their expectations

7. Create a loyalty program

8. Help customers achieve their goals by providing them the necessary tools and resources

9. Set clear expectations and follow through on your promises

10. Meet customers where they want

Keep your best customers around for the long haul

CHAPTER 5: Exploratory data analysis and Visualization

For Exploratory data analysis and Visualization jupyter notebook was used.

After importing the data analysis was done:

- Customer retention dataset have 71 columns and 269 rows
- No null or missing values were present in the dataset
- One column from the dataset had some typos present which was causing an increase in unique classes present, they got replaced
- Most, in fact almost all of the columns in the dataset have categorical or object data-type values
- Within almost each and every column two to five unique classes are present
- Till column 47 each row with it respective column has one input/value only, after 47th column two or more input/values are present

So, after doing the basic analysis figure plotting was done for visualization purpose to understand the dataset better.

Count-plot was used from seaborn library for data visualization.

As, almost all columns have categorical data-type values, count-plot is very useful in having the insights of the data.

In this case, count-plots gave insights of customer behaviour, their need, their preferences, their opinion etc. which helped us in deriving the conclusion.

While plotting the count-plot for different data values, several classification were given, like using gender of customers or age group of customers or their preferred payment method etc.

This gives a kind of relationship between customers and opinion and to which group they belong to.

This might help in understanding the masses of same groups effectively.

Since, knowing your customer is the key for effective customer retention, count-plot helped us built our assumptions after analysing data visualization.
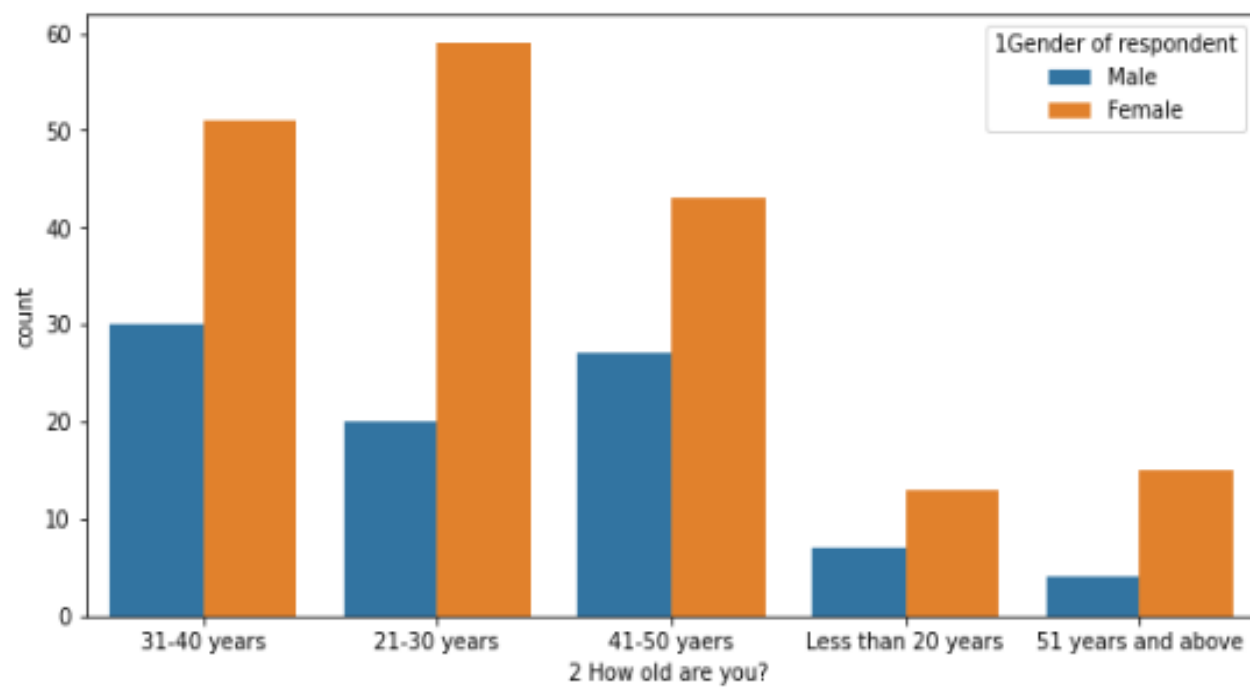
Some of the count-plots:

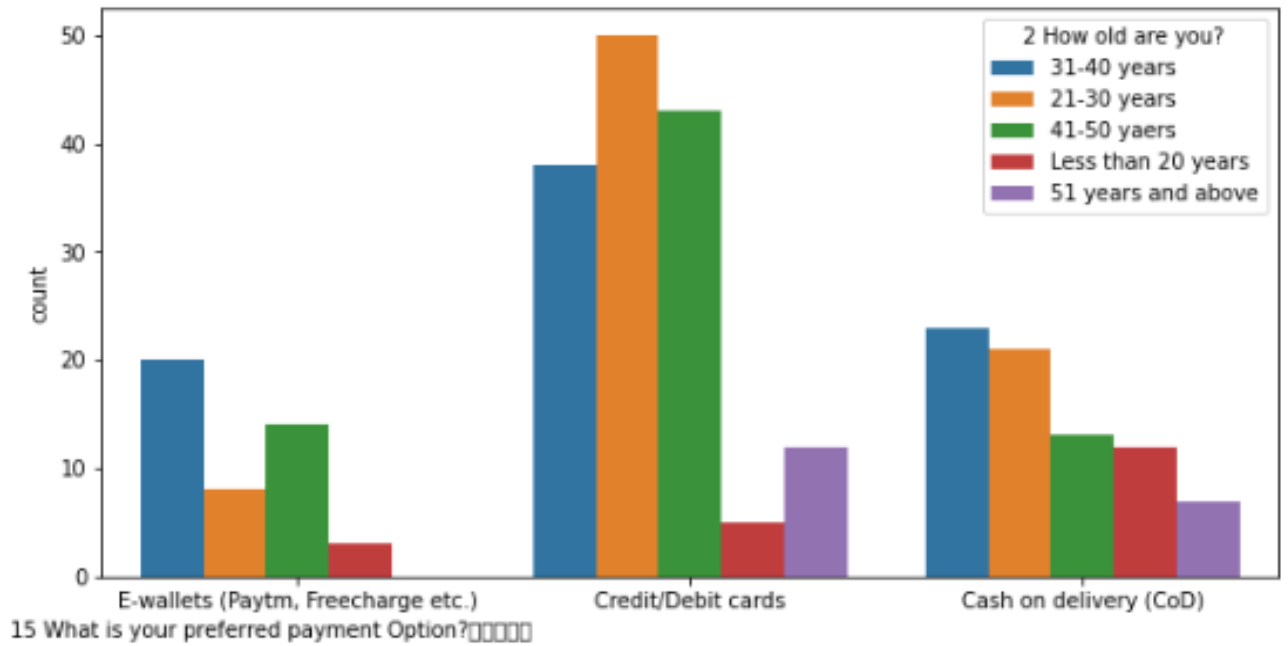*Figure 1 Different age groups customers belong to*

Figure 2 Preferred payment option with respect to age group of customers
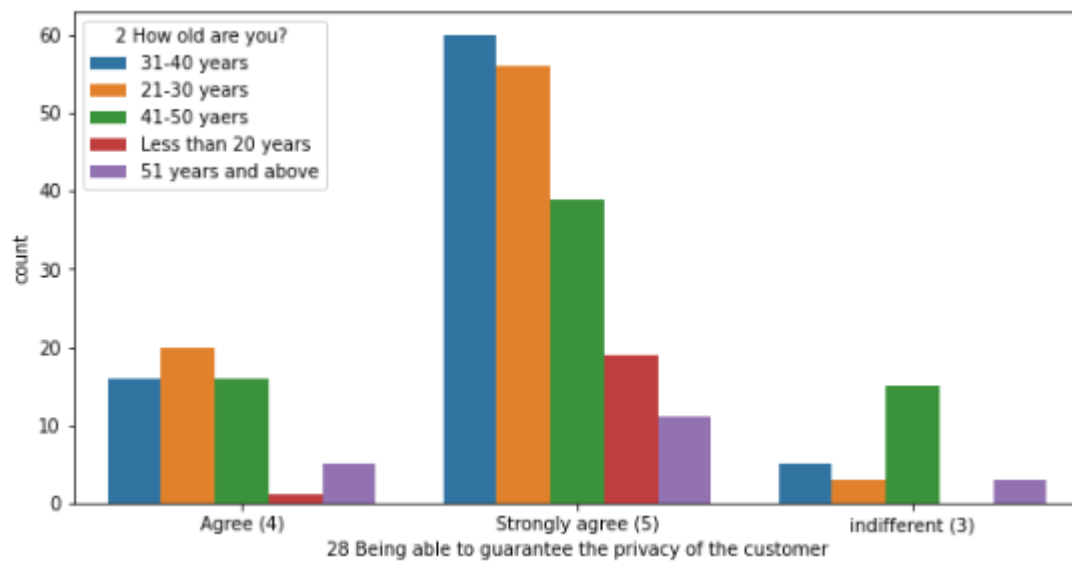

Figure 3 customers opinion on privacy policy of their favourite e-shopping stores
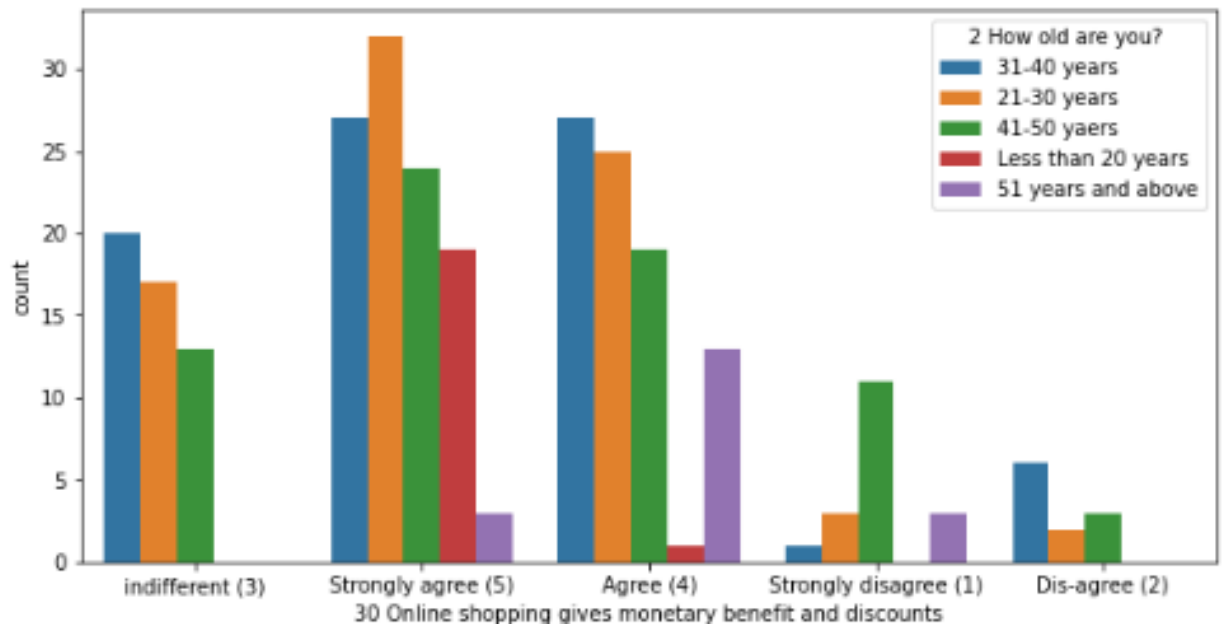
Figure 4 customer opinion on monetary benefits of e-shopping with respect to different age group of customers

So, after plotting count-plots for 47 columns from given dataset, unique function of pandas was used to find out which e-store customers believe is fulfilling their need and satisfying their opinions.

CHAPTER 6: Findings and Conclusion

Findings:

- Female users had a higher count than male users

- Most customers are of age group 21-50 years, with 31-40 years as highest count

- Most customers are making less than ten purchases a year

- Mobile internet users have the most count

- Most customers use smartphone for online shopping followed by laptop with tablet users at the bottom

- Smartphone using customers use e-store application for online shopping while laptop users use direct links

- Female customers spend more time on the store before making a purchase than male customers

- Alternative offers or better deals is the main reason for abandoning shopping cart, like leaving it without making an purchase

- The highest count for disagreeing with convenient payment methods is for age group 41-50 years

- Customers who believe that enjoyment is derived from online shopping has highest count for age group 21-30 years, while 31-40 age group have indifferent beliefs, while age group 41-50 years has most count on strongly disagree.

- User satisfaction cannot exist without trust

- So, it could be seen that both utilitarian value and hedonistic values are a must for customer retention.

- While the basic needs of a customer for online shopping includes trust bond with e-retailer, easy shopping and payment process, monetary and other benefits other complexities like enhancement of social status, gratification, enjoyment coming from online shopping, adventure in online shopping are also important aspects for customer retention as they are crucial in determining customer behaviour.

- Knowing your customer is also one of the key for customer activation.

- The better the user experience i.e. the more pleasurable online shopping can be the more customers won't leave.

- Empathy (readiness to assist with queries) towards the customers, Being able to guarantee the privacy of the customer, Responsiveness, availability of several communication channels (email, online rep, twitter, phone etc. have a direct impact on customer experience thus, on customer retention too.

- Most customers had a strong opinion that return and replacement policy of the e-retailer is important for purchase decision.

- Most customer had an indifferent opinion about gratification derived from online shopping.

- Same goes for enhancement of social status by online shopping.

- E-stores should offer a wide variety of listed product in several category, the more the better

- The Convenience of patronizing the online retailer is not necessary for customer satisfaction or anything

- Shopping on the website helps you fulfil certain roles so customers of age group 31-40 years believe it's true, age group 21-30 years have indifferent opinion on this with highest vote count

- Getting value for money spent is one of the most important aspect of customer satisfaction.

So, after plotting count-plots for 47 columns, pandas value counts function was used to find out which e-store satisfy customer's needs and their preferences or in their opinion is best for e-shopping.

In most cases, i.e. for most customers amazon.in is the most favourite platform for online shopping followed by flipkart.com and then myntra.com.

So, this means that amazon.in has a good customer retention rate as they provide excellent customer service, satisfy customer's wants and needs and provide them loyalty program benefits more efficiently than the other two.

Conclusion:

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.

Getting a customer in the door is the first step, but customer turnover, or "churn rate," can be a quiet killer of a company's potential.

Focusing on customer retention can increase revenue over an 18-24 months period by as much as 80%, reduce customer acquisition costs by 30%, and increase total customers by 1.5 times.

A high or great customer retention rate can be achieved by:

- Finding out what customers want and what cause them to stay or leave.
- Proactively collecting and promoting customer feedback because who better to ask for feedback than customer himself and then analysing these feedbacks for insights.

- Keep asking, listening, analysing and thus improving.