

# Best Practice, Measures and Methods of Customer Retention Management

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1. **Basics and objectives**
2. Examples of possible measures
3. Customer retention management in practice
4. The future of customer relations



### General definition

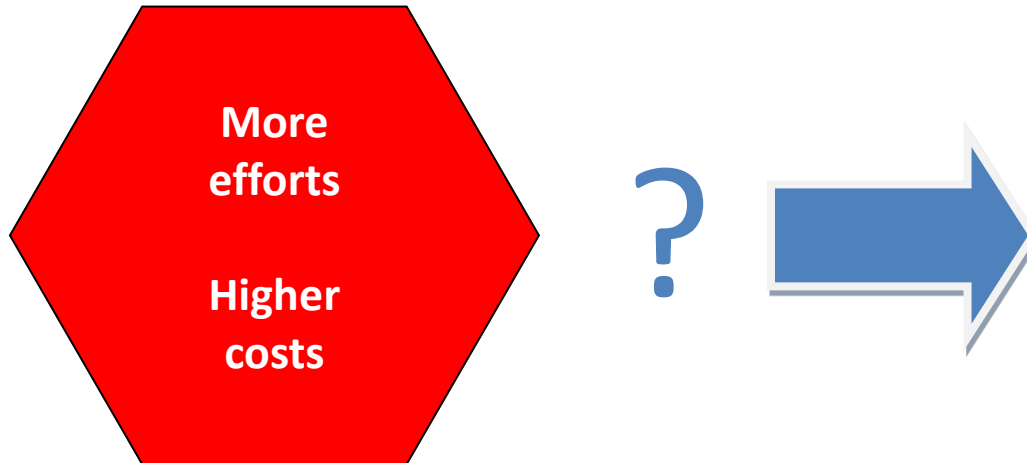
„Measures of customer retention are all activities undertaken by a company aiming to **positively shape** a customer's behavior towards a provider or a provider's services with the goal to stabilize or extend future customer relations.

The main objective of customer retention measures is the **buildup of long-term, profitable relations** to customers.“

see: Christian Brock: Beschwerdeverhalten und Kundenbindung, Wiesbaden: Gabler Verlag 2009

# Reasons for a commitment to customer retention

Advantages in binding existing customers

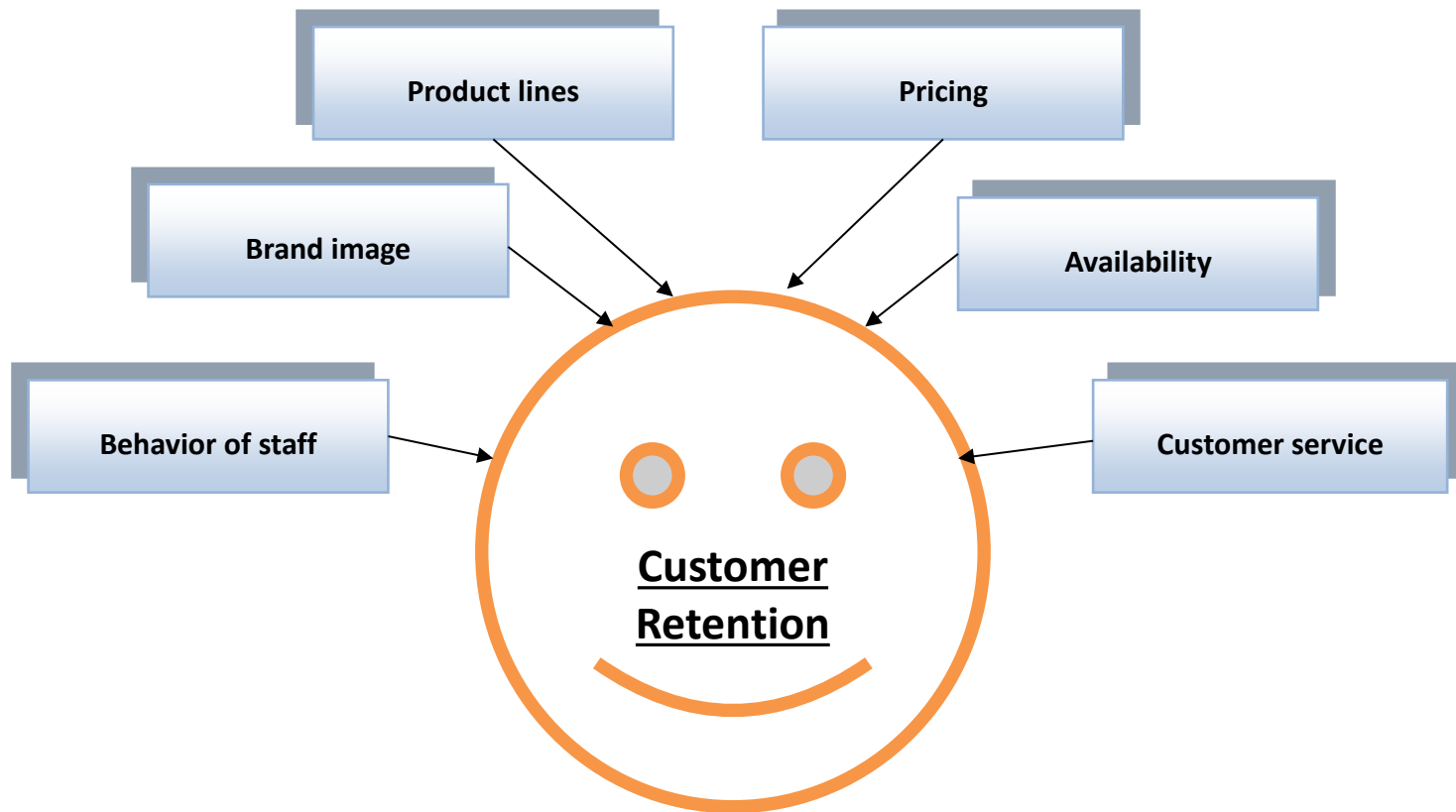


<p><b><u>Cost savings</u></b> Efforts focused on evidentially beneficial customer relations</p>
<p><b><u>Recommendations</u></b> A content customer relays his opinion to three others, on average</p>
<p><b><u>Lower price sensitivity</u></b> A customer convinced from a provider will accept upward changes in the pricing structure more easily</p>
<p><b><u>Promotion of impulse buying</u></b> Being present in a customer's mind promotes impulse decisions in favor of a brand</p>
<p><b><u>Second chance for mistakes</u></b> Bonded customers complain constructively and allow providers a second chance</p>
<p><b><u>New paths</u></b> Existing customers are more likely to try new products and distribution channels</p>

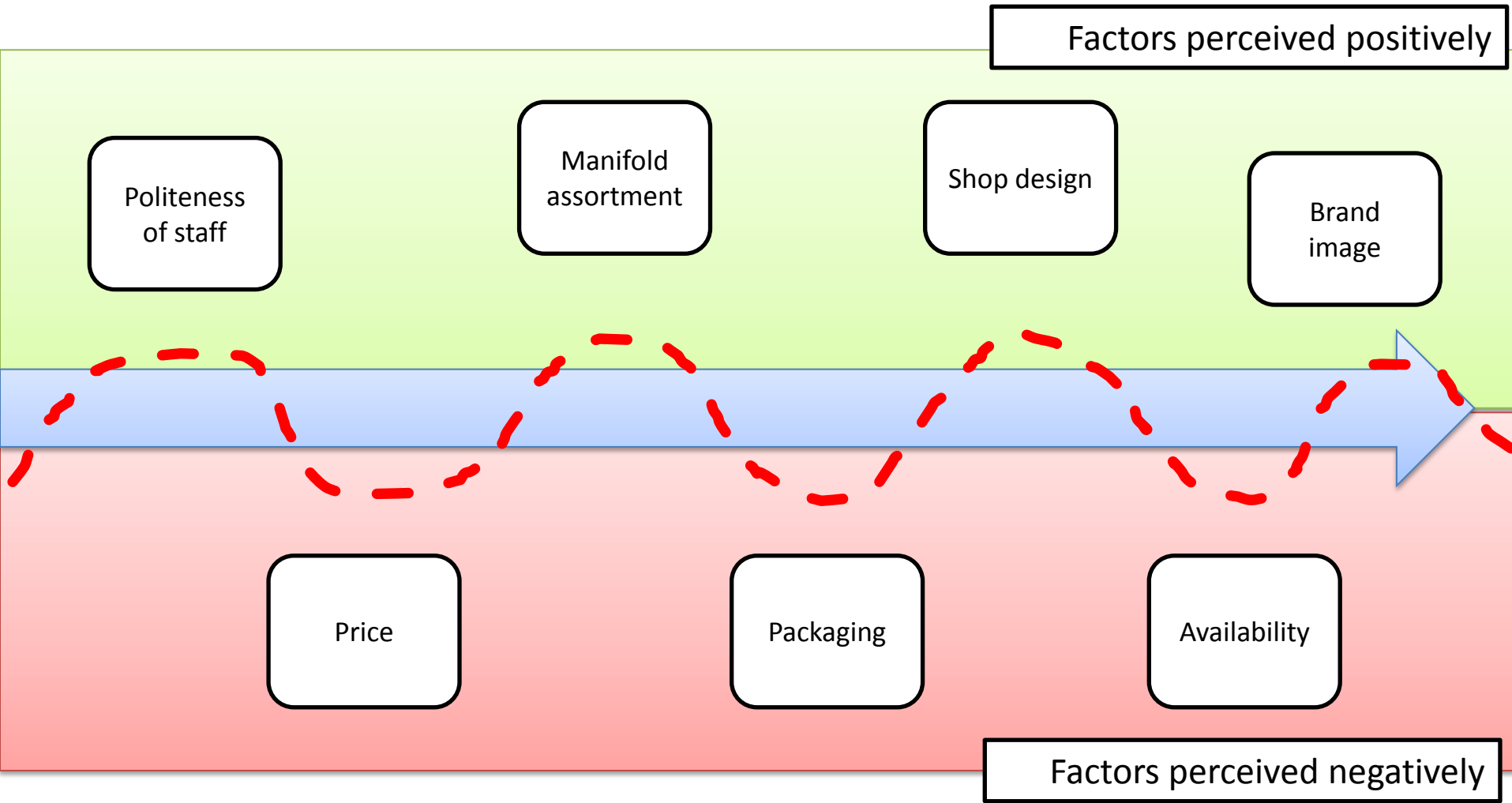


# Impact factors

Dedicated programs alone do not achieve a high level of customer satisfaction. Eventually, many factors convene to turn a customer into a content customer.



## Example: Impact factors for provider evaluation



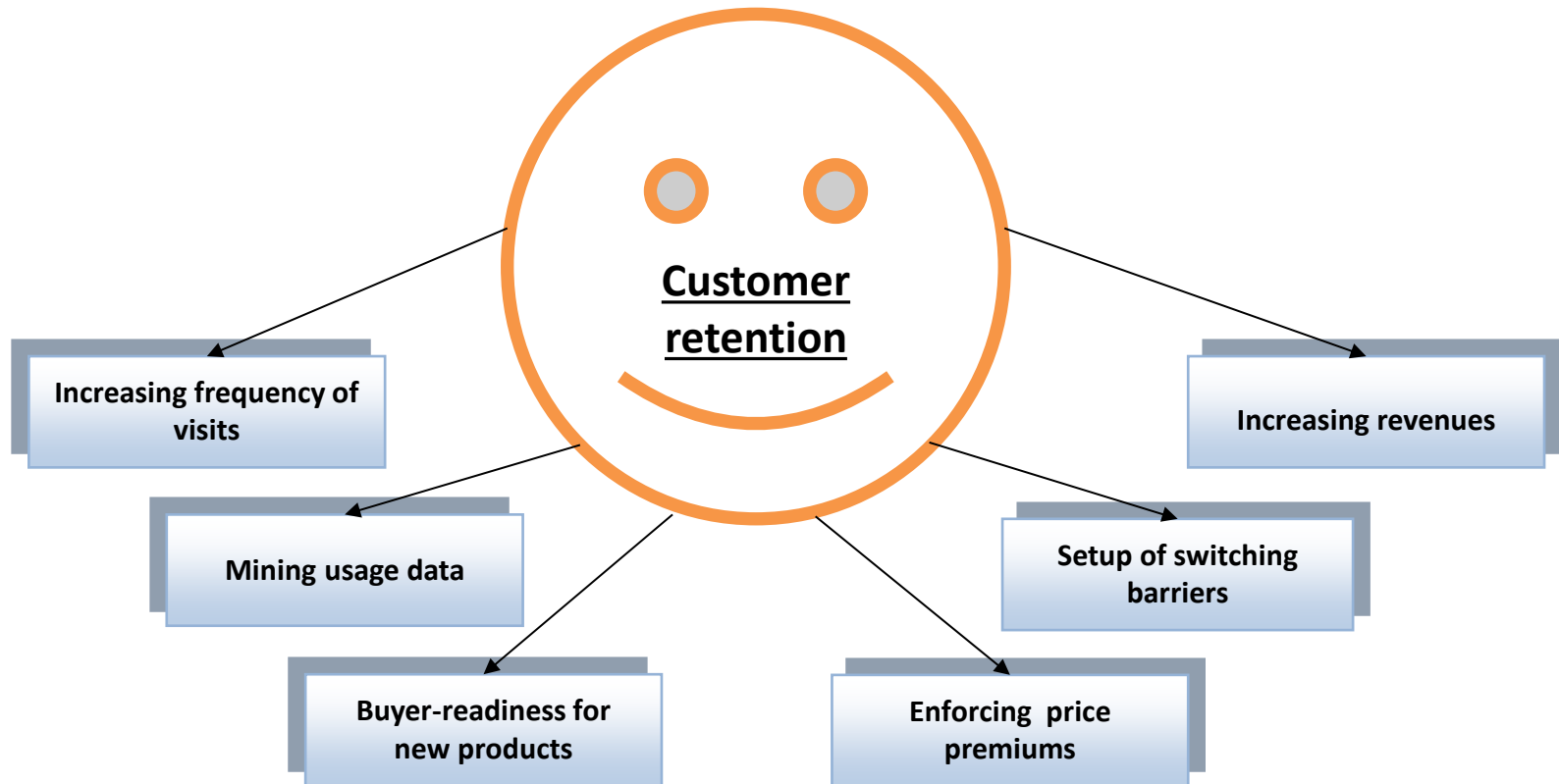
„It is five to ten times more expensive to attract a new customer than to retain a regular customer, because investments placed in the course of attracting customers (advertising, discounts) are often higher than the value of the newly won customer for the company.“

Prof. Dr. Thomas Hutzschenreuter, Professor of Economics at Otto Beisheim School of Management, Düsseldorf / Germany



# Objectives

Dedicated programs alone do not achieve a high level of customer satisfaction. Eventually, many factors convene to turn a customer into a content customer.





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# Examples of customer retention programs: Corporate Publishing

## Characteristics

- Periodically issued publications
- Usually consist of an advertising and an editorial part
- Are intended to garner customers' interest without being obvious advertising
- Made available free, thus production costs often must be kept especially low



# Examples of customer retention programs:

## Customers club

### Characteristics

- Intends an increased level of identification with provider
- Membership linked to special advantages, i.e. exclusive events, pre-purchase options, rebates
- Basis for very reliable, insightful data stock
- Members become communication medium for company



# Example for customer retention programs:

## Bonus programs

### Characteristics

- Rewards actual revenues
- Various membership levels depending on revenue
- Possibility to tie into existing third-party programs, enabling to offer wider choice of benefits for own customers
- Generates useful customer data and enables placement of targeted offers



# Example for customer retention programs:

## Social networks

### Characteristics

- Best possible, continuous interaction with customers
- Comparatively little effort needed
- Enables only a small degree of actual customer retention
- Serves many other purposes apart from customer retention: information, communication, marketing, ...



# Comparison of various methods

Short overview of advantages and weaknesses of customer retention measures

Measure	Evaluation reach	Advantages	Weaknesses
Corporate Publishing	good	Enables targeted, comprehensive showcasing of products, may also raise interest of non-customers	Comparatively low retention effects, high wastage
Customers club	medium	High retention effects, generates useful customer data	Rather high expenditures necessary, comparatively low usefulness for customers
Bonus programs	medium	Highest retention effects, generates very valuable data	Very cost- and effort-intensive
Social networks	very good	Best possible reach, in trend, targeted marketing and brand image building possible	Provides little insight into customer behavior, high wastage, low actual retention effects

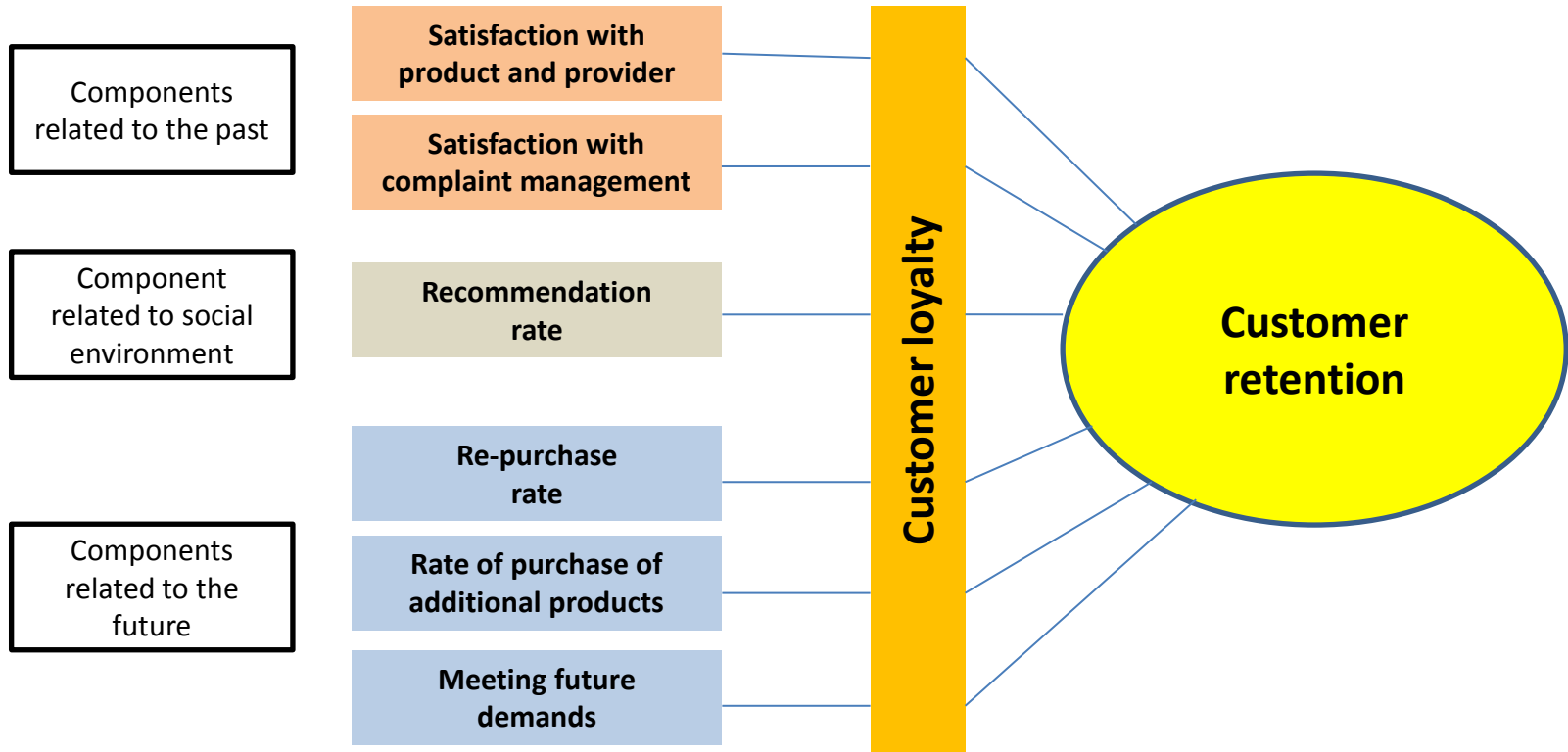


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# Elements to achieve customer retention

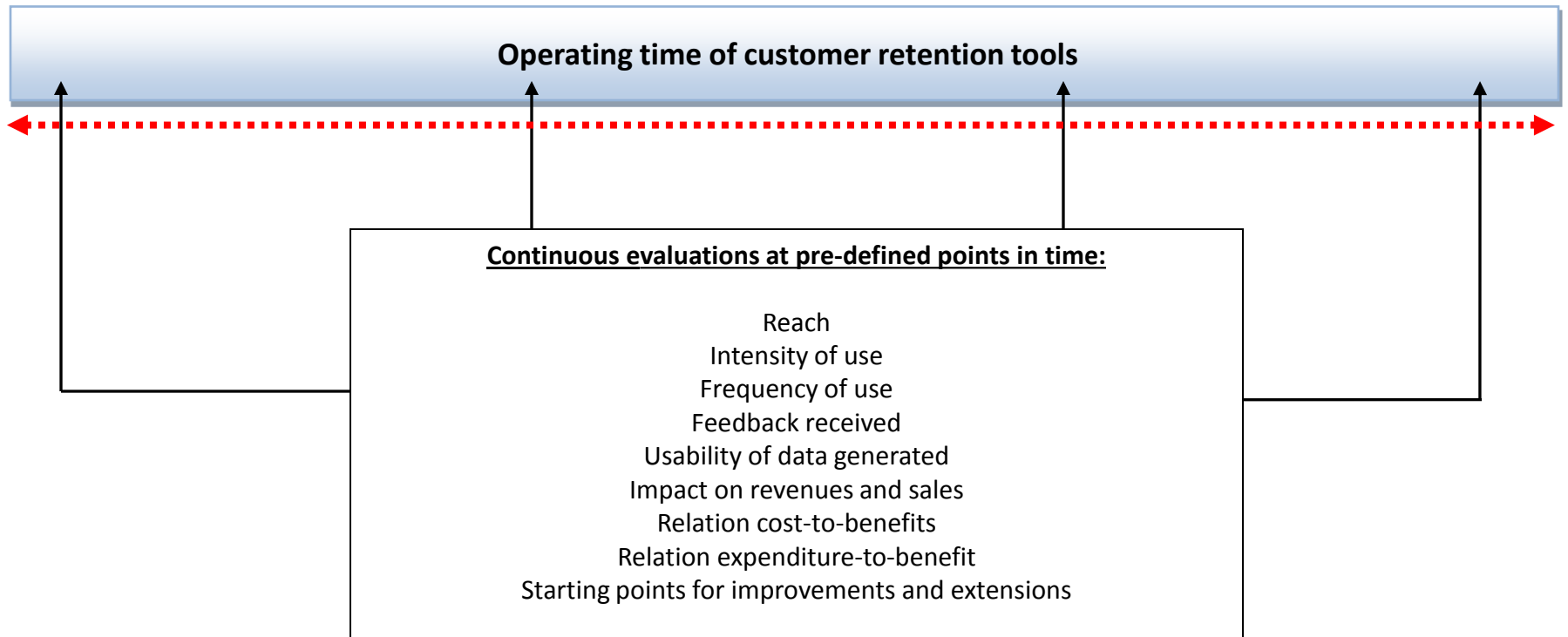
Matrix to determine effectiveness of measures in use





# Need for continuous evaluation

Consistent monitoring of the tools in use is indispensable

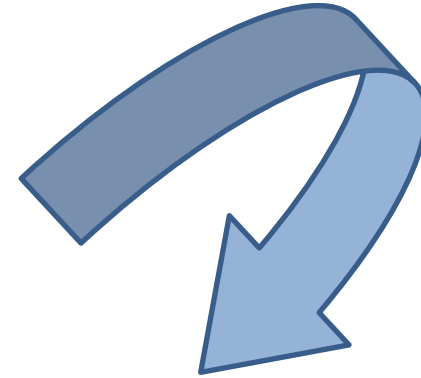


# Optimization possibilities: Corporate Publishing



Weaknesses

Comparatively low  
retention effects, high  
wastage



Possible: Switch to online publication

- Saves production and distribution costs
- More precise reach of target group
- Enables more precise user data

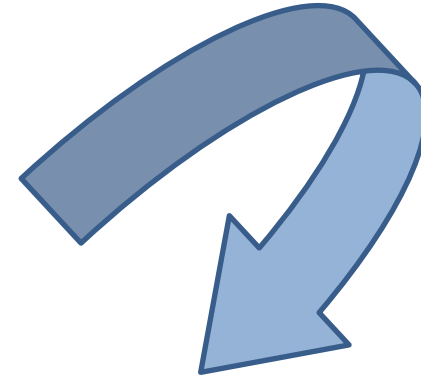


# Optimization possibilities: Social networks



## Weaknesses

Provides little insight into customer behavior, high wastage, low actual retention effects



## Possible: Strengthen interactive elements

- Generates more usable customer and usage data
- Increases actual retention
- Also has effects on attraction of new customers



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# The future of customer relations

- online
- global
- adaptive
- interactive
- multi-channel
- social



# Thank you.

