



A CONCEPTUAL ANALYSIS ON CUSTOMER RETENTION STRATEGIES IN RETAIL INDUSTRIES

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ABSTRACT

Customer retention is incredibly important. It becomes even more important when we consider the Pareto Principle, which states that 80 percent of a company's revenue will be generated by 20 percent of its customers. While new customer acquisition is an important part of any marketing strategy, all businesses need to include a customer retention strategy as well. Customer retention refers to the percentage of customer relationships that, once established, a business is able to maintain on a long-term basis.

Customer retention is a simple concept—happy customers who feel important and are regularly communicated with in the right way will keep coming back. It is a major contributing factor in the net growth rate of businesses. For example, a company that increases its number of new customers by 20 percent in a year but retains only 85 percent of its existing customers will have a net growth rate of only 5 percent (20 percent increase less 15 percent decrease). But the company could triple that rate by retaining 95 percent of its clients.

Of course, growth is just one of the benefits that superior customer retention can offer a company. Increased profits are another. The cost of acquiring customers and putting them on the books generally exceeds by several times the annual cost of serving existing customers. So the longer customers are kept, the more years over which the initial cost of acquisition can be spread.

KEYWORDS: Customer Retention, Retention Strategy, Social Media, Promotion.

INTRODUCTION

“Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship”.

An assessment of the product or service quality provided by a business that measures how loyal its customers are. Customer retention statistics are typically expressed as a percentage of long term clients, and they are important to a business since satisfied retained customers tend to spend more, cost less and make valuable references to new potential customers. A customer retention strategy is a process through which a business ensures customers re-enter the sales funnel and become repeat customers. A retention strategy aims to maintain a customer base and prevent customers from looking elsewhere for the same product or service.

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According to **Karl Wirth**, the CEO and a co-founder of Evergage, in this world, customer retention is just as important as customer acquisition. So let's see how the 7 Ps of marketing apply to customer retention.

1. People are the most important. Retaining customers is about building relationships, and relationships are about people. Treat your customer as a person, and not a customer; start by hiring people who show they care about others.

2. Product is a very close second in importance to “People.” If your product is off, you will have a difficult time with the rest of the Ps. However, if the product is on target, you will accomplish the rest of the Ps much more easily. When designing your product or service for maximum customer retention, provide quick time to value, continued value over time, and high quality .

3. Place obviously matters when you are figuring out where to put your physical store. If I am looking to communicate with my customer and offer them an upsell, I could send them an email or message them right while they are shopping, browsing, or working on my site. The first communication is out of context and has a low chance of response. The second is in context and has a higher likelihood of response. “Place” is context, and context matters.

4. Price. In any good relationship, people take care of each other. That is now the expectation in the customer-business relationship as well. Our customers assume that we will look after them. That is what they pay us to do. In an e-commerce business, that sort of relationship means providing deals for our recurring customers. In a subscription business, that means rolling new features (some, not all) into the service, over time, without charging more.

5. Promotion. How should you promote your product or service to customers to retain them, upsell to them... and keep them for the long haul. Quite differently from how you promote to a prospective customer. Because the person is your customer. You know, or should know, him or her. You know what the customer bought from you or how he or she uses your service. You can use that information to message customers in a more targeted, appropriate, helpful, and effective way.

6. Processes. To succeed in all of the previous Ps, and for this success to be more than a one-time fluke, you need good processes, such as monitoring social media and engaging customers there, surveying customers for satisfaction, and implementing marketing automation.

7. Positioning. If you want to retain your customers, you have to know who you are and communicate that clearly and repeatedly to them so they know who you are as well.

Foremost, however, is this: Your actions must communicate your positioning. Those actions are showcased in the people you hire, the product you ship or service you deliver, the price you charge and the discounts you provide, the place and promotions you choose, and the processes you put in place.

The above 7ps would definitely work better in keeping hold on your customers, therefore all retail industries should primarily exercise with these 7Ps which can also act as strategies in retaining existing customer.

CONCLUSION

For any business, customers are the greatest asset. This makes customer retention an important business strategy to increase profits and reduce churn, thus customer retention is of prime importance in every part of marketing as products are produced only on findings the needs of the users unlike selling which is sales oriented. It is not enough to just retain customers through prevention of defections. Positive changes in customer spending can have ten times the impact of customer retention. It has been found that a lot more of customers decrease their spending than defect. Managing this downward migration

in spends is a challenge. This is more important in industries where the customer deals with more than one company for the same product or service. Hence in any retail industry customer retention has assumed as high importance and necessary strategies must be adopted as time, technology and market change.

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