



Can you prevent losing customers?

"If you don't take care of your customers somebody else will."

Today's corporate landscape is rampant with stiff competition that presumably would intensify by the day. Pervasive as it is, it has taken its toll on marketing managers across industry segments. Telecom, credit cards, banking, insurance and retail are only a few among many where customer churn has become a nightmarish phenomenon. Marketers are seeking newer and cost effective ways to prevent customers from moving out of their fold.

Tactical segmentation is one technique that has been widely adopted to help identify customers who are likely to discontinue a company's services and products. Customer Retention marketing is a tactically driven approach based on customer behavior. It is the core activity going on behind the scenes in **Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing**. Here's the basic philosophy of a retention-oriented marketer:

1. Past and Current customer behavior is the best predictor of Future customer behavior

In general, it is more often true than not, and when it comes to action-oriented activities like making purchases and visiting web sites, the concept really shines through. One can tell whether a customer is about to defect or not by watching their behavior; whilst the marketer can have a shot at retaining the customer by taking appropriate action by predicting defection.

2. Active customers are happy (retained) customers; and they like to "win"

They like to feel they are in control and smart about choices they make, and they like to feel good about their behavior. Marketers take advantage of this by offering promotions of various kinds to get consumers to engage in a behavior and feel good about doing it. These promotions range from discounts and sweepstakes to loyalty programs and higher concept approaches such as thank-you notes and birthday cards. The truth is, almost all customers will leave a service eventually. The trick is to keep them active



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and happy as long as possible, and to make money doing it.

3. **Retention Marketing is all about "Action - Reaction - Feedback - Repeat"**

Marketing with customer data is a highly evolved and valuable conversation, but it has to go back and forth between the marketer and the customer, and one has to 'listen' to what the customer is saying. Transaction data in most marketing scenarios offer the right feed to execute the sequence thus mentioned.

4. **Retention Marketing requires allocating marketing resources**

Target marketing activities generate fatter profit. The marketer can keep his budget flat while increasing sales and profits if he continuously allocates more of the budget to highly profitable activities and away from lower profit activities. This is a step towards retaining profitable customers by offering him the right choices.

The marketer has to develop a way to allocate resources to the most profitable promotions, deliver them to the right customer at the right time, and not waste time and money on unprofitable segments. This is accomplished by using the data customers create through their interactions and transactions with the company to build simple models or rules to follow. These models are the company's listening system. They allow the data to speak about the customer. The crux of the matter is that retention strategies are effectively channelized if tactical segments for target marketing are identified using the right modeling techniques. These techniques work well for large, clean and universal data employing advanced statistical tools in data mining and predictive modeling.

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