

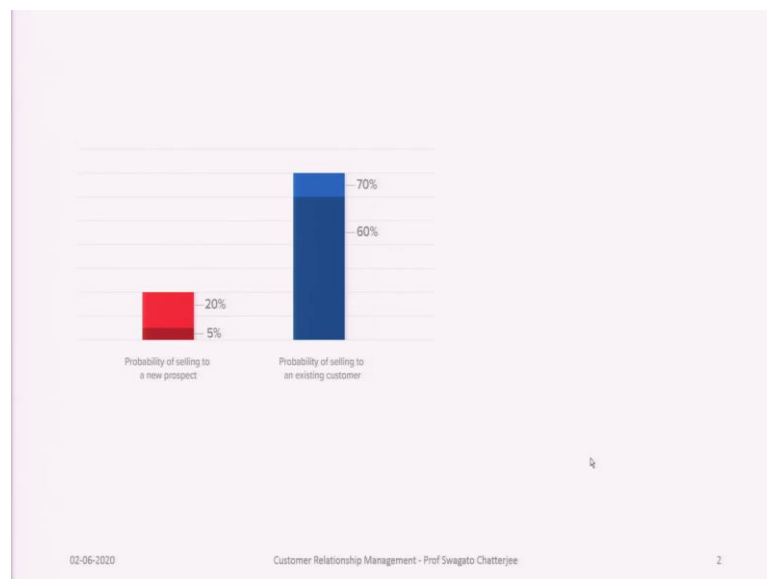
**Customer Relationship Management**  
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**Lecture - 10**  
**Building Customer Relationships (Contd.)**

Hello everybody, welcome to the NPTEL Swayam course on Customer Relationship Management. This is Dr. Swagato Chatterjee from VGSOM IIT Kharagpur who is taking this course. In this particular video which is Week-2 and Session-3 we will be discussing about customer retention as a strategy.

So, till now we discussed about why customer relationship management is important, how to build a relationship and what are the various stages of relationship and why customer goes out of your relationship. So, let's discuss about how to keep them in your customer base. Now why to keep them in your customer base?

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So, we have been seeing that — so this is the probability of selling to a new prospect. So, we have been seeing that probability of selling to a new prospect with all the technology and etcetera that you have adopted has improved from 5% to 20% in current period.

So, on the other hand the probability of selling to an existing customer who is already there in the customer base. What percentage of them will again buy from you, that

percentage has improved from 60 to 70. So, though the improvement is in comparison to this has come down, but it still 70%; 70% is the probability that a customer who was there with you in Year 1 will also buy from you in Year 2.

The repeat purchase probability is 70%. So, if that is the case then that is a huge amount and we have to create some kind of seriousness, we have to create some kind of solutions which targets this particular blue bar.

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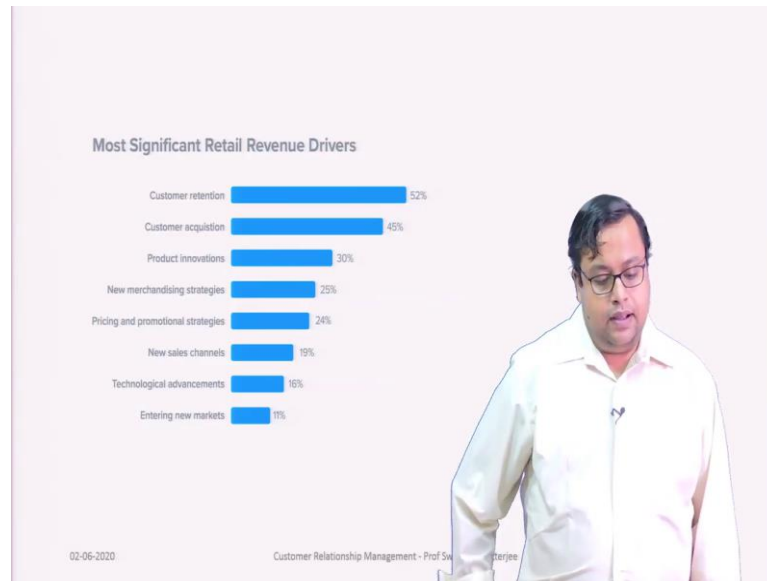


Also, we have to also understand that why customers leave a company. So, customers majorly leave the company, the very less probability is probably the customer dies, if he dies he will leave the company; obviously, will not be a customer anymore.

But then if you go from the top till the bottom then customer leaves the market, then customer get us friends to provide service, customers persuade to go to a competitor, so sometimes they switched to cause competitor, customers who is dissatisfied with your service that is 14% and 68% as I told in the last thing is customer believes you do not care about them, you are indifferent.

So, this is something that is very important that your indifference is something that will drive the customers away; not your product quality, not your service quality, very less amount of cases where the other competitors decision will move push them away it is you who will push them away. So, we you have to take that in mind.

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And what are the significant revenue drivers? So, many — we have asked this kind of question to many people. And they have answered that customer retention is 52% and customer acquisition is 45%. So, 52% people told that customer retention is one of the major drivers and that is the highest percentage.

Out of all those things; pricing, new, sales channel, entering new markets, customer acquisition, all things are secondary. The primary way of revenue generation is: make sure your customer stays back. So, that is why this customer retention is one of the major things that we have to focus on.

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So, what are the steps of a retention program? So, when we think about a customer retention, the first thing that we have to identify or understand that how do you define retention? So, not in all the cases customer will actually leave it, is not like they will give a resignation letter and put it and then go to other customer that does not happen. They might in current today's world customers often do not even tell you that they are switching.

So, let's say, I will give you some examples; let's say, at one point of time if a customer switched from one particular, from one particular SIM card provider; that means, telecom company to another telecom company. They used to not use that particular SIM for very long time probably break and then throw away and then used to buy a new SIM. That's how in India at least we used to switch from one service provider to other.

Then the next step was when mobile number portability came in we tried to port. So, that was a major time period when you started creating information that customers are going away. So, what kind of information you generally generate?

You generate, let's say why they are going and used to call the customer who is willing to switch used to call them. And tell them that you why sir what happened? Or why ma'am what happened? Why do you want to switch? And some reasons we used to give.

And based on those reasoning, based on the reasons that have we have given the service provider will actually give certain counter offers or certain step they will take to make sure that I do not switch. But they will know that I am trying to switch and which competitor I am switching they will also know. But that also has, we have passed that stage also.

Now we have mobile phones where two slots are there or more than one slots are there: it can be two-three and we use multiple SIM's for multiple purposes. So, we use one SIM — because the coverage are different because the offers are different, because I do not want a certain group of people to know some numbers certain group of people to know some other number.

So, when that kind of differences are getting created where I have the probability to use multiple SIM's. What we use is we keep one SIM as idle and other SIM is active. So, you do not even know even if the SIM is there.

Let's say it is being getting used, you do not even know that whether that SIM is actually creating enough revenues or not or that particular SIM is, how/what shared of the customers pocket is getting generated through that your SIM. So, that share of the pocket if it is very low then practically you have lost that customer; so, which becomes an important factor in telecom.

In, I know many people in certain organizations — when you join an organization what happens is; they say that why do not you open a bank account here. So, at one point of time government companies or government organizations or institutions used to say that you should have a SBI account or a Nationalized Bank account — tell me - give me an account.

So, now after various periods of time that kind of thing is not there, but at one point of time we used to happen. Actually Nationalized bank accounts are majorly available in very remote places remote places you will not have a private bank in many parts of India.

But we have seen that many private banks probably will give better services when you try to buy stuff, when you try to create a, when you try to get a credit card better points and etcetera than Nationalized Bank.

So, many comp-people actually keep these two banks bank accounts alive. One is his salary account where the salary comes and within the 10th there is a rule setup that on the exact 10th day or 5th day of the month 50,000 rupees will shift from bank account A to bank account B. So, whatever is his salary probably 95% of the salary will switch from bank account A to bank account B.

Now, this guy who is who is this salary account guy will think that this particular bank account has pretty good minimum monthly balance. Minimum monthly balance is something or average monthly balance min monthly balance or something like that that we have to keep.

That average monthly balance is pretty good above 10,000 because 10 days he is keeping 50,000 rupees, other 10 days 0 rupees. So, if I break it 50,000 by 3; that means, 16,000 will be the average balance. So, 16,000 average balance means his account is active it is active account; it is okay, he might feel.

If the account is by chance is of a person who earns a little bit more. Let's say; one and half lakh rupees per month, then that minimum account balance the average account balance that be will be shown is 50,000. And 50,000 means okay, this is a very profitable customer. He will pick, give on sending lots of discounts and offers and these and that to that particular email ID that is associated with that bank account or the phone number probably.

Now, the problem is this particular customer is not your customer. He has a salary account, but he is actually moving all the account all the money in a different account in a. So, he will not do any transaction other than that one single transaction through your account. So, will you say that this particular customer is alive or dead — your choice.

Another example I will give you another example is, let's say how many of you have you seen that if open your mobile phone and see there are certain Apps which can give you idea that out of all the Apps that are installed in your phone which one you have used and when. So, the time duration between today and the last time you used.

And you will find certain ads certain Apps which you have not used probably for 5 months, 6 months, 1 year also. Now what is that App? Are you for that and now you

have not uninstalled that App. So, installing uninstalling the App provider will know and based on that they might try to say that whether you are a customer or not.

But whether you are using or not that should be the measurement that also they will know the moment you hit that App. But that should be the measurement rather than you whether you have so whether you logged in should be the measurement or whether you have uninstalled should be the measurement.

So, in all these things what I am trying to say is the first job is to identify that whether a customer is going to go away or not. So, retention will be targeted to those kinds of customers who wants to go away who has a chance of go away. So, to define going away that is the first job.

So, if you can measure the going away you can also measure the retention also. So, the first step as I told the measure retention, measure retention means also measure switching. So, if you can measure switching properly you can also measure the retention properly.

The next step is then: ask the customers why they are going away. So, exit interview or interview of past customers, why they are going away. In this case why they are using moving or moving all the money from one account to other account or why they have not used this App for very long time. So, you have to talk with the customers. So, dialogue is the obvious next step, identify and then have a dialogue with them that is the obvious next step.

The thing, third is analyze the complaint and service data. So, analyze whatever they are saying whether that matches with, whether that any identification on that whatever they are saying the reasons is coming in the service log or not.

If it can be identified in the service log then you had the opportunity to tackle that at that time, but somehow you didn't do. So, you have to tackle that at the right time. So, analyze the complaint and service data to find out the common problem areas or to very personalized problem areas.

If the customer has the still option to come back and then try to work on that and then also identify the switching barriers. So, what you can do to stop the customers and I already discussed about four types of switching barriers; what are they?

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Yeah, they are financial or economic, structural, social, and personal — so personalization you can say so the customization. So, these are the four different switching barriers what you can adapt to ensure based on the service data or based on the reasons that they have told about for the switching. Which kind of such switching barrier can be used to reduce switching is something that the service providers should do. So, that is the steps of customer retention program.

Now, that is different from loyalty program. Loyalty program is to make sure the customer stays and retention program is to make sure the customer does not leave. There is this minute difference between these two things, but practically, the usage part their jobs are very different.

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So, what are the techniques? the one major technique that we try to do is build relationship. So, I will again share certain materials on this particular six points which you can study on your own, but I will just give you the brief. So, build relationship and



set reasonable expectation. So, you do not give such a high expectation that you cannot meet and lead to a dissatisfaction.

So, or you should not also put an expectation which is very low that people will think that you are nothing actually your service very bad. You have to put a reasonable expectation some expectation which is good, high enough or which you can achieve also. So, that becomes very important and you have to do market study to understand what is a reasonable expectation.

Then deliver the right message that you want to give. Never falter customer service this is something which is very important customer service is the key. Because customer service gives you the sign that whether you care for the customer or not if you do not care for the customer that sign comes up that is the major biggest reason people will go away from you. So, never falter the customer service customer service is more important than your product.

Seeking input from the customers: so make sure that they come to the come in the problem solving come to in the experience generation or I would say product generation process. And then educate the customers. Often times whatever you are trying to do for the customers they are not ready to take it. So, they are not as of now educated to take it.

So, the major step also is to educate the customers. So, in the later part of this particular course we will also give examples on how these things are done. How educating the customer, seeking input — I have already gave a quite a bit of focus in the co creation video.

So, there have a three videos and lots of examples on co-creation; how you can seek input — how you can make sure that the customers become a part of your business decisions. But educating customers is also very important factor will come to that.

But at this moment I want to give you a small exercise personal exercise you do not have to write anywhere: why don't you think that what kind of co-creation techniques can be used. We talked about co-creation right in the previous part that you have to bring in customers in the process of creating a solution or creating an experience for them.

So, what kind of co-creation have you seen or can be used, it can be a live example or it can be an imaginary example, what kind of co-creation can be used in the context of service failure. So, let's say a service failure has happened and you want to create an experiential service recovery. Service recovery means a failure happened, you trying to trying to take various steps.

So, is customer service basically you are trying to take various steps so that failure can be recovered; that means, whatever happened either you apology or you apologize or the or you can give some discount coupons to them or you can say sorry or you can do this that. But I am saying that how you can bring in customers themselves their decisions, their inputs in this service recovery process.

So, why don't you go and read about a little bit on service recovery. We will discuss at some point of time in this course also, but I am asking you to go and read about service recovery a little bit. And then try to brainstorm that of how you can use the customer inputs the co-creation methods in service recovery. Why don't you pen down. That will be a great learning process. So, that is all about customer retention techniques.

Thank you very much, for being with me and I will see you in the next video. Thank you.