Research Report:

Customer Churn & Retention Practices in Indian Enterprises

Summary

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Our research to understand the best practices among enterprises across sectors in Indian region suggest that Customer Churn & Retention Management as a concept is in its infancy, barring few sectors that experience high churn, such as Telecom. At a time when the revenue growth by customer acquisition is stalling, many sectors are unprepared to handle this challenge with scientific and proven methods.

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"**I**t's sick to see customers leaving. Sometimes it hits us hard, but many times we even don't know if a customer has really left!"

Many of us would echo this sentiment, but are we doing something different about it? With a quest to find an answer to this, we recently reached out to senior executives across sectors. The idea was to gage if they feel the same about customer churn and if so, what are they doing to tackle this problem. This report is a culmination of our research, insights and current best practices followed by enterprises in the Indian region on customer churn & retention.

Our research sample included 200 executives from leading enterprises in this region across sectors such as BFSI, IT & ITES, telecom, hospitality, travel & tourism, pharma, retail, professional services and supply chain /logistics. We reached out to Chief Customer Service Officers, Chief Customer Experience Officers, CEOs, Account Managers and Business Heads and conducted telephone interviews supported by web portal.

Is Customer Churn An Organizational Priority?

A whopping 95% of respondents across sectors agreed that customer retention is among top 3 priorities for their organization. Their rationale for assigning such high priority included factors like repeat business from existing customers, lower cost of acquisition, higher share of wallet, higher profitability and good indicator of product and service quality performance. But we were shocked to learn that only 60% of organizations have dedicated resources for Churn and Retention Management – a top 3 priority item for most organizations! Among those with dedicated resources for customer retention, the baton is held by Account Managers, Operation Heads, Loyalty Managers and Sales Heads. On the contrary, it's reported through another survey that globally 65% of enterprises are planning to build dedicated teams of minimum of 10 members.

How Do Organizations Compute Customer Churn?

The formula for customer churn is at the heart of reducing it. What gets measured, gets gone, isn't it. Hence we tried to understand if there is consistency of measurement across sectors. The results were disappointing. While only 65 % of the organizations we surveyed had formula for computing churn, nearly 25% of those are using incorrect logic or vague approach. That is to say, no more than 40% of the enterprises have appropriate method to compute and report customer churn accurately. A point worthy is that some organizations are using revenue churn, in addition to customer base churn. Illustration#1 depicts the good and not so good practices adopted for churn computation.

Common Good Practices
(Opening Base - Closing Base)/Opening Base
Count of Customers defaulting 2 or 3 consecutive billing cycles/Total Base
Potential Revenue Lost * Avg Deal Size/ Toal revenue earned
Clients who don't return within a year/Last year's base
(Opening Base - Closing Base - net acquisition)/Total Base

Common Not-So-Good Practices

Illustration #1 Practices in Customer Churn

(Suspension - Reactivation)/Total Base

Customer dissatisfaction

Volume Growth from customers

% increase in sales from loyalty customers

% increase in business revenue

Cross-selling %

% increase in share of wallet

You can download a free Customer Churn Calculator here.

(http://www.collaborat.com/resources/customer-churn-calculator/)

Why Do Customers Churn?

When we asked the executives about the top two reasons for customer churn in their organization, nearly 40% of them felt it was poor customer experience, while nearly 19% of them felt pricing was the culprit. An equal percentage of respondents (16%) attributed to poor issue management as a major cause. Other reasons were acquisition of in-correct client profiles, mismatch in job roles and product features.
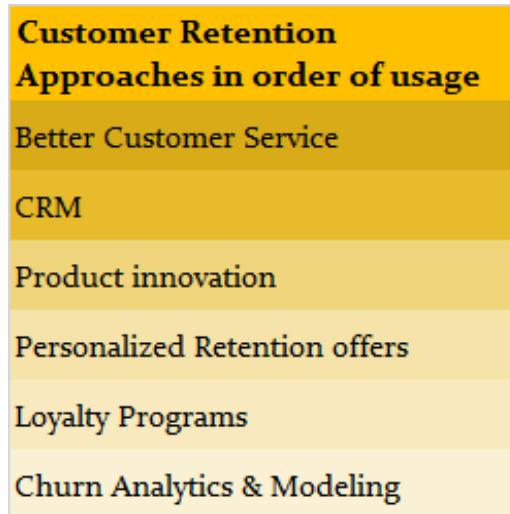
Illustration #2 Reasons for Customer Churn

Reasons for Customer Churn
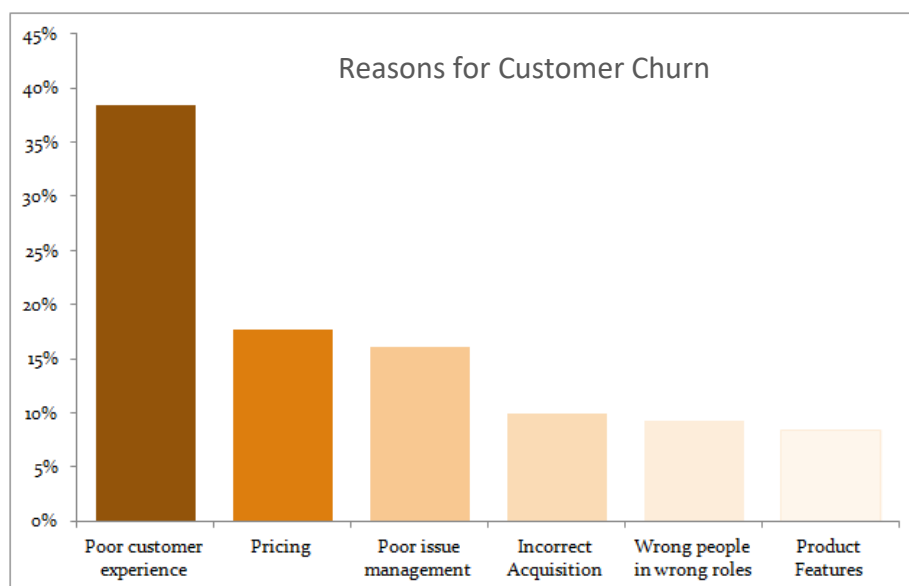
How Organizations Approach Customer Retention?

Interestingly, the approaches used by organizations for customer retention weren't synchronized with the reasons they mentioned. While most organizations, seem to be working on a broad set of approaches rather than a pruned approach, 60% of them said they were working on improving customer service and CRM to attack customer churn. 20% of them feel their innovation efforts on the products would reduce churn. Some of the proven approaches used by enterprises in developed economies such as churn analytics, personalized churn offers and loyalty programs aren't in the priority list.

One of the common but debatable approaches to customer churn is to segment the customers based on their profitability and treat differently with retention offers. While only 11% of the respondents said their organization has personalized retention offers, 10% of the total respondents haven't even heard about this practice.

Customer Retention Approaches in order of usage

Better Customer Service

CRM

Product innovation

Personalized Retention offers

Loyalty Programs

Churn Analytics & Modeling

Illustration #3 Retention Approaches

You can download a free primer on Customer Churn here.
(http://www.collaborat.com/resources/customer-churn-boilerplate/)

Do Churn Goals Count In Employee's Appraisal?

75% of the respondents confirmed that mid to senior management staff in their organization have customer churn and retention goals as their Key Result Areas(KRAs). Surprisingly, remaining 25% of them haven't got their act right in aligning their employees to one of their top 3 organizational priority – customer churn and retention.

Are Organizations Doing Enough For Up-Skilling Front-Line Employees?

It has become evident over the years that successful customer retention strategies require employee up skilling. Retaining customers requires specific skills such as compassion, negotiation, problem solving and speedy recovery. In our research, nearly 35% of respondents have stated that

their mid-level managers and front line staff aren't up-skilled, when it comes to customer retention techniques.

Conclusion

For many sectors in India, acquiring new customers has been the way to grow. That speaks volumes for the use of technology and proven management methods in sales and marketing. But customer retention hasn't received the similar attention. Fortunately, it hasn't caused a big dent in the past. But with growth hitting a plateau, organizations will need to quickly install scientific and proven practices of customer retention and experience management. Luckily, they can learn from the developed markets where retention plays a equally critical role in meeting financial goals as it is with acquiring customers!

About the Author

Neil is the Principal of Canopus Business Management. He helps a range of large enterprises in services and manufacturing, with particular emphasis on customer experience & process transformation. Client engagements aim at eliminating the barriers for seamless execution of strategies, carpet bombing customer touch points, diagnostic interventions on customer churn & retention and implementation of transformational projects.

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To know about the company visit http://www.collaborat.com/about-canopus/