

Customer Retention

The key to even more success



"If we don't take care of our customers, someone else will."

Unknown

What is customer retention?

“deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour”

(Oliver, 1997, p. 392)^[1]

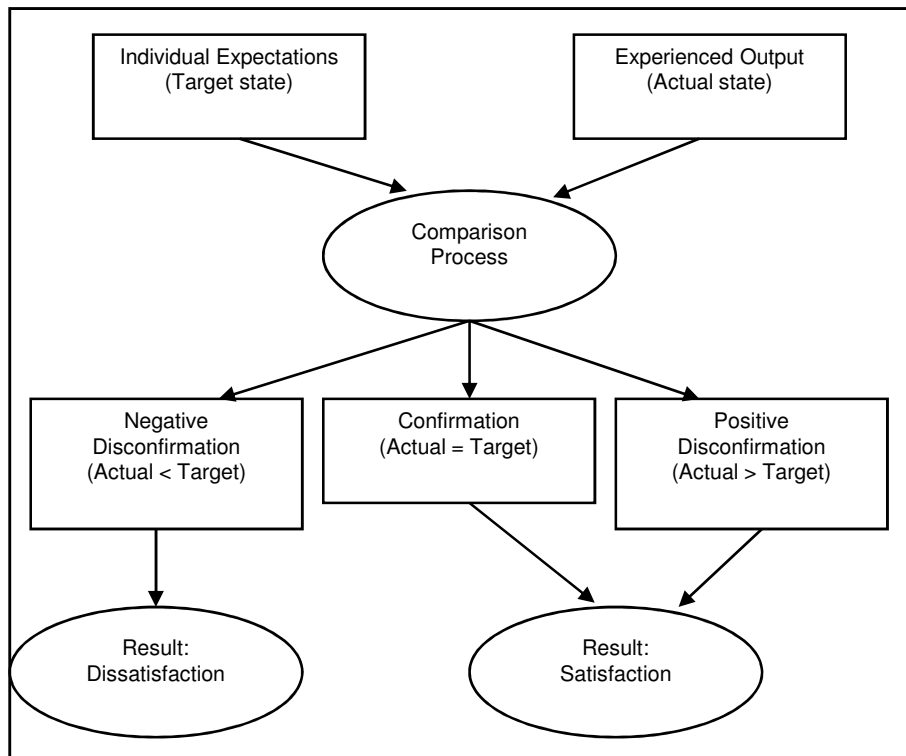
- **5 steps to customer retention:**



^[1] Oliver, R.L. (1997). Satisfaction. A behavioural perspective on the consumer. New York

Customer retention & customer satisfaction

Confirmation/Disconfirmation Paradigm
(C/D paradigm) of Thibaut & Kelley (1959)^[2]



Confirmation
Positive Disconfirmation



Satisfaction

Negative Disconfirmation



Dissatisfaction

^[2] Thibaut, J. & Kelley, H. (1959): *The Social Psychology of Groups*, New York.

Tools for customer retention

According to Homburg & Bruhn^[3] 4 major business areas exist which are highly influenced by customer retention.

- 1. Product policy:** Quality standards, individual offers, service standards, guarantees, value added services, etc.
- 2. Price policy:** Customer cards, bonus systems, etc.
- 3. Distribution policy:** Free samplings, standing orders online sale, product catalogues etc.
- 4. Communication policy:** Customer clubs, customer magazines, direct mail, online marketing, complaint management, etc.



^[3] Homburg, C. & Bruhn, M. (2008). Kundenbindungsmanagement – Eine Einführung in die theoretischen und praktischen Problemstellungen. In M. Bruhn & C. Homburg (Eds.), *Handbuch Kundenbindungsmanagement* (p. 3-37), Wiesbaden

Customer retention in e-commerce

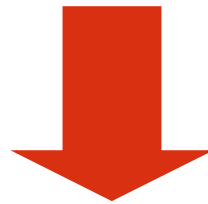
- **Main challenges in e-commerce^[4] :**
 - Highly transparent market place
 - Worldwide competitors
 - Lack of direct contact
 - Smart shoppers
- **Solution:**
 - Ability to build trust
 - Increased usefulness
 - Decreased effort of customers



^[4] Stolpmann, M. (2000). Kundenbindung im E-Business. Bonn

Benefits of customer retention

- Increased repurchasing behaviour.
- Increased cross selling behaviour.
- Increased customer value.
- Less price sensitivity.
- Greater positive word of mouth recommendations.
- Decreased migration rates.
- Decreased new customer acquisition costs.
- Strengthening of the brand.



Economic success

