CHAPTER - 4
CUSTOMER ATTRITION AND CELLULAR OPERATOR STRATEGIES

In this digital age, when your fiercest e-commerce competitors are only a single click away, retaining your existing customer base has become more important than ever. Online business owners not only need to spend hundreds or even thousands of dollars on effective marketing strategies and acquisition tactics, they are also faced with the uphill task of retaining their carefully acquired customer base. The key to gain loyalty from fickle consumers who can hardly see the e-commerce wood for the trees, is to make your business stand out from the rest. This sounds simple enough. But what exactly company can offer its customers that other companies are not able or willing to do?

The telecommunications sector is changing radically. The changes are driven by a combination of market, business and technological forces. There are many factors that influence the market. The globalisation of the economy is forcing many multinationals to expand into new markets. These companies look for a single provider to meet all their telecoms needs. Telecom operators looking for new revenue streams are entering the international market place. New technologies like wireless, digital subscriber line (DSL) and voice over internet protocol (VoIP) are enabling new service opportunities. The demand for bandwidth and high-speed access is growing, driving the development of new services such as wireless broadband and DSL. Customer awareness and knowledge is increasing. Customers want services that satisfy their unique needs and demand reliable service delivery at competitive prices. Information must be easily accessed, anytime, anywhere and anyhow. One stop shopping must be possible and a choice of service providers available.

The real differentiation in the market will not be the technology or the services or the prices, it will be the ability to deliver a better quality service and responses to customer requests, keep customers informed as orders are being processed, reduce costs and not prices; be faster at providing service inquiries. The main critical success factors and risks facing businesses today remain the same falling margins, increasing customer expectations, improving productivity and customer churn and fraud. In the wireless age, the days of double-digit growth are over. Competitors are now fighting for one another’s customers. In wireline, real revenues for local and long distance calls are falling. New entrants to the
market are taking market share from incumbents. In order to stabilise today’s depressed prices, operators have to improve margins.

4.1 CUSTOMERS ATTRITION

4.1.1 What is Attrition?

Attrition is the reduction or loss of employees through different conditions. Reasons for attrition include retirement, resignations or even death. Attrition rates also depend on the general economic climate. However, regardless of the reason, attrition has a substantial cost to business. For example, when employees leave, a business will have to consider new employee training, relocation, search firms or agencies, interviews and background checks and advertising costs. These costs are substantial especially if business has to constantly hire to replace employees that leave an organization through attrition.

4.1.2 Fifty shades of Attrition

Attrition is one of those metrics that every electronic security company should monitor 24x7. Although 50 Shades of Gray is more provocative than uncovering a company’s attrition, the ramifications of attrition are infinitely more valuable to owners and investors of security companies.

According to Webster’s dictionary, attrition is defined as “the reduction or decrease in numbers, size or strength”. In business, this definition applies to both clients and employees. For the electronic security industry, attrition (or churn) is more clearly defined as the loss of a customer and the associated recurring monthly revenue (RMR) or a reduction in a customer’s RMR fees. Basing it solely on the number of customers lost or gained, without proper analysis, is misleading and not an accurate measurement of a company’s health or value. The data collected needs to be relevant and meaningful to help the company determine if it is on the right track, traveling in the right direction, and going at the right speed.

Based on industry statistics, the average retention of a residential customer is seven years for monitoring services. However, with the introduction of interactive services, many consumers prefer managing and controlling security and lifestyle functions remotely such as arming and disarming security systems, viewing video images, controlling thermostats,
lighting and window coverings and locking or unlocking electronic door locks. Does this mean the average retention period will increase because the consumer is more engaged, and experiencing the benefits daily? It is difficult to predict at this stage – not enough historical data has been collected to determine if interactive services will produce a “stickier” customer retention model. As more and more attrition data is collected in the future, the retention model will be proven one way or the other, revealing attrition trends for interactive services.

A company with a well-defined mission statement uses Key Performance Indicators (KPI), such as attrition, to track, analyze and measure progress in attaining its performance goals. Attrition is a significant KPI that security company owners and executives should use to uncover company success (or failure) factors, such as if:

- Organic or acquisition growth strategies are positive.
- The company’s products and recurring services are resonating with their customers.
- The delivery of the customer experience echoes favorably.
- The marketing and pricing strategies are right.
- The employee base is engaged and properly trained.
- New competition, products or services entered the market place.
- Existing competition has a fresh go-to-market strategy.
- Depending on the market segments served, the success or failure factors will vary in quantity and narrative from company to company. One can understand the reference to the 50 Shades of Attrition there can be a multitude of factors that affect a company’s attrition rate and vice versa. Higher attrition, in addition to negatively impacting the customer base, go-to-market strategies, and internal RMR growth goals, can affect other aspects of a business:
  - Employee morale and turnover customer churn can have a direct correlation to unengaged employees, not to mention the cost and time factors of managing HR.
  - Funding replacing RMR without RMR growth restricts the company’s ability to attract capital growth capital is challenging if the company is standing still.
• Asset valuation it can be the difference of receiving a BIG X or a little x (multiple of RMR) for the asset.

4.2 Attrition Rate

An attrition rate, also known as a churn rate, can be a measure of two things. It can be a measure of how many customers leave over a certain period of time or how many employees leave over a certain period of time. An attrition rate can also be a combination of these two factors. An attrition rate is typically used in connection with a subscription service. Whether it is a magazine, cell phone or Internet provider, all depend on stable relationships with current customers in order to protect and grow the bottom line. However, the term can be applied to other types of companies as well. An attrition rate is a good way to measure growth for subscription services. If the growth rate is more than the attrition rate, then the company has a net increase in growth. The opposite, of course, is also true and a negative rate of growth could signal that some type of change is needed.

Many companies use an attrition rate as a good measure of customer service. Keeping a customer, in many cases, may be just as important as attracting a new one, if not more so. In fact, often a company may cite its attrition rate as a marketing tool. In such cases, it is not referred to by the technical term, but rather a number of "returning customers." Employee attrition is part of any business as is customer churn. Having high attrition and churn rates can destroy business. There are several considerations that should be considered to help for keeping these rates low. Understanding the mitigating circumstances responsible for high rates can keep turnover rate low and help make business successful. Both internal factors and factors beyond the control of company influence your attrition and churn rates.

Organizations use several different methods to determine the actual attrition rate of the company. The approach will vary by company. However, previous attrition calculations cannot determine any future attrition rates with certainty. For example, attrition rates cannot predict economic downturns that may force massive layoffs or even the closure of a division of business. According to "Human Resources Management," can minimize the attrition rate within an organization by implementing policies conducive to a productive working environment with equitable salaries and wages.
4.3 Churn

One can apply churn to both employees and customers. The churn rate of employees is the same as the attrition rate. The churn rate for customers is the percentage of customers who stop purchasing the products or services of a particular company. Many companies use the concept of churn rate to calculate the loss of customers who purchase monthly services or subscriptions. For example, cellular phone service providers and newspapers commonly use churn rates to evaluate customers and predict sales revenue. Companies also use churn rates to analyze, forecast and implement new methods of attracting customers.

4.3.1 Reasons

Internal factors that affect attrition rates within an organization include low pay, limited promotion opportunities and lack of support or rewards on the job. External factors that affect attrition include better offers from other employers, illness personal matters and general economic conditions. Reasons for high customer churn rates include better service and offers from competing companies, poor customer service or other service related issues. Additionally, companies generally experience a very high churn rate during introductory offers made to customers.

4.3.2 Steps to Minimize Attrition:

4.3.2.1 Track it

Collecting the right attrition data is a critical step. Harnessing the data and using it wisely is priceless, helping to improve the customer experience, enhance employee contributions, and increase revenues, profits and enterprise value. Tracking the addition, deletion or modifications of RMR on a monthly basis tells an intriguing story of what a company ultimately should be paying attention to, and helps to determine if the company is healthy, vibrant and on goal.

4.3.2.2 Analyze it

Choosing the right attrition data to analyze is essential in the process. The most significant critical data includes discovering the reason for the change in the customer status the process should not be a casual approach or review. Careful data collection and thorough analysis of the reasons allows the company to develop and implement a workable action
plan that helps to effectively manage customer attrition.

To get a clear understanding of the effect attrition has on company, track gross attrition, analyzing the lost RMR and reasons for the cancellation or reduction of services. This can easily be accomplished on a monthly basis. However, justifying the attrition rate by only calculating the net percentage lost, without addressing the underlying causes on the gross number, is not properly analyzing the data. A good process is to determine the gross and net attrition numbers separately and then look at each metric individually to understand the true effects of customer churn.

4.3.2.3 Work it

The real work, in reducing attrition, is to do something about it. After rigorously analyzing the underlying reasons, the next step is to develop a customer retention program that addresses the major attrition factors. Subsequently, management can determine if it needs to adjust its pricing strategies, introduce new services, or remove pain points that customers and employees experience with the company. In many cases, the simplest and least expensive changes to processes and procedures have the greatest impact on improving the delivery of the customer experience, and reducing customer churn.

4.3.2.4 Assess it

Measuring for results determines if the customer retention program is successful. Based on the results, identify on-going attrition factors that can be changed to minimize customer churn. Having the right empirical data and corresponding results helps to determine if the right processes, procedures and training requirements are in place for improving sales, installation, service, accounting, and call center activities and results. Well trained and engaged employees are essential to enhancing the customer experience, and ultimately lowering the attrition rate. Reducing the attrition rate by just 1% delivers significant returns for an organization.

Here is another aspect to consider with attrition. As the economy improves, businesses begin to grow and expand and consumers move households causing a “positive churn” effect. In this scenario, as businesses and consumers move about in a company’s service area, instead of losing an account and the RMR for that property, the company
should experience a net gain of one account – retaining the existing customer at the new location and adding a new customer for the existing home or business. This becomes a powerful opportunity for companies to minimize attrition and increase RMR.

Whether the goal is to grow RMR by 1%, 10% or 100% on an annual basis, paying attention to the micro trends in an organization will help reduce attrition, improve revenues and profits, and increase the value of the company. Every business experiences attrition. How one chooses to address the underlying causes and effects, is up to the owner. But the only way to reduce attrition is to track it, analyze it, work it, and assess it for results. Keeping customers and employees engaged keeps RMR online.

Until recently, most telecommunications companies were busier their expanding customer bases than increasing existing customers value for money. Reducing churn by offering discount plans and other incentives led to unprofitable customers. Trying to contain the surge in unpaid bills by tightening credit limits on new applicants, resulted in many would-be profitable customers being turned away. It is a common belief in the CRM world that retaining existing customers costs less than acquiring new ones. Retention campaigns aim, therefore, at reducing the churn rates. Customers receive binding offers in the form of rebates, discounts etc. Often though, retention campaigns are designed and planned with the aim of minimizing customer attrition. Campaign success is measured by reduction in churn rates without differentiating between high value and low value customers.

Customer loyalty is sometimes bought at a price that exceeds the customer value. As a consequence, for example, there are emerging segments of customers that tend to profit from provider CRM strategies. These customers are loss-making and should not necessarily be included in retention offers Taking into account customer profitability implies finding the optimum balance between campaign costs and churn rate. If one ignores customer profitability, one can successfully reduce churn rates by offering arbitrarily high rebates. Taking customer value into account, however, places a limit on the possible discount for each customer. The churn rate may remain high but the campaign can be more profitable.

4.4 COLLECTION AND RETENTION STRATEGIES

The most important reason for investing in retention of profitable customers is the cost of acquiring new customers compared with the cost of retaining existing customers.
International research by Coopers & Lybrand has shown that it can be at least five times as hard to acquire new customers than to keep existing customers (and sometimes up to 25 times as hard). The objective of a customer retention strategy should be to nurture long-term relationships with customers through trust, responsiveness, customised services and reliability. Key to this strategy should be the ability to utilise knowledgeable, intelligent customer information for the benefit of customers and to offer them seamless quality of services. Thus the strategy should offer segment-specific plans to meet customers needs and wants.

Customer care, therefore, had become one of a telecommunications company’s most important activities in order to provide superior customer satisfaction and build excellent relationships with customers. In the competitive and deregulated environment of the telecommunications industry, customers have more choice in selecting service providers. When customers are considering whether to keep an existing supplier or to change, there are three factors they think about i.e. quality of the service or product, the price and the quality of customer service.

Dissatisfaction with the service is a key factor in determining whether or not a customer remains with a supplier. Where price and product features are quite similar, customer care is a prime differentiator in a deregulated customer focused market. Seamless customer service is a real competitive advantage, because it is much harder to imitate superior services than prices. Employees with customer contact have to know what a customer is and what they want. The customer is the most important person the company will interact with be it in person, over the telephone, by postal or electronic mail or by any other communications channel. The customer is a person who brings their wants and their money to the company. The statements above mean that everyone employed by the company is responsible for meeting customers needs. This cultural behaviour has to be implemented within the company and it has to be initiated by the management top-down. As mentioned, the quality of service is the most important factor for improving customer relationships and unless employees are concerned about this in their dealings with customers, good quality of service will not be achievable.
4.4.1 Quality of service factors

To succeed in offering superior services to customers, the company has to identify service factors and the quality of these service factors. The key factors in delivering high quality services are Reliability for delivering consistent and timely services, Knowledge for understanding the customer’s situation, Empathy for offering individual care, listening to the customer’s requirements and problems, demonstrating understanding of the customer’s situation, Responsiveness for demonstrating willingness and readiness to solve problems.

4.4.2 Identify customer profitability: Customer value

The ‘customer–company’ relationship comprises a constant four-step cycle of relationship development each step requires different cultural behaviour skills. These steps are Receiving i.e. being prepared for customers. This means anticipating that customers will want and need and making the customer feel welcome. Second step is understanding for understanding the customer’s position, ‘listening’ and ‘asking the right questions’ skills. Without understanding, one cannot move to the next stage. Helping, which means offering information and options to the customer. During this stage employees should be making the move from getting information to providing a solution. They should be wary, though, of guaranteeing the customer something that they cannot or do not have the authority to deliver. Finally, employees should make sure that the customer agrees with the terms and conditions offered by him/her.

Keeping is the most important thing is to ensure that the customer’s entire needs have been met in order to continually keep the customer doing business with the company. Keeping skills involve checking for satisfaction and following up to ensure all outstanding actions are resolved satisfactorily. In order to define an effective customer retention strategy, companies have first to understand the customer behaviour using clustering methods, secondly they should define the propensity to churn using churn modelling and thirdly they should identify customer profitability. Based on those propensity to churn and customer profitability parameters, companies will be able to build a customer portfolio and define the right strategies. There are seven steps of right strategies like
The seven steps are:

1. Analyze internal and external data.
2. Build appropriate customer clusters.
3. Identify customers profitability.
4. Identify the propensity to churn.
5. Create a customer portfolio.
6. Apply customer profitability and propensity to churn to the identified clusters to design loyalty campaigns.
7. Design and carry out profitable campaigns.

4.4.3 Customer clustering —Understanding customer behaviour

Customers, shareholders and employees must recognise that the success of any business depends on its ability to know what customers need and deliver it. A customer segmentation framework provides essential direction for the delivery of a combination of basic and complex bundled products, services and pricing packages. The customer contact cycle is a useful way of viewing customer relationships from first awareness through sales and fulfilment to the point where they are upgrading or enhancing their services. Each interaction is an opportunity to fulfil the needs and wants of the customers. The customers needs (products, services, processes) are dependent on where the customer is in the contact cycle. It is recommended that companies develop different customer contact cycles for different businesses and examine how each interaction can be focused and improved.

Customer retention activity begins at the point when the customers sign up to the services. To retain customers the company needs a powerful database, which should store detailed customer profile data and a full communications history, thus allowing the customer base to be segmented and to target specific groups of customers with tailored offerings (eg welcome call, welcome packages, loyalty prices). A company should develop a set of criteria for selecting the most suitable mechanisms for each customer segment in order to build customer loyalty. International experience has shown that a 5 per cent improvement in customer retention can increase profits by up to 85 per cent. The way to understand customer behaviour is to use customer data and clustering methods. The task of customer
clustering requires a heterogeneous population to be separated into a number of more homogeneous subgroups or clusters. Clustering is an important capability in differentiating processes and services based on customer needs and value.

There are, in fact, two ways to cluster customers. The deductive way uses simple database queries based on a specific hypothesis. For example, assume that the typical ADSL user is a family with children: by querying the database one is able to verify this assumption. The inductive way of clustering is based on discovering unknown patterns in the database by using clustering algorithms. For example, a group of internationally-oriented customers with high economic value and low buying power is discovered. The use of clustering methods facilitates the discovery of unknown patterns. Self-organised maps (SOMs) is a clustering method that allows one to classify a large number of chosen data objects (customers) according to their total similarity, where each datum point contains numerous attributes (e.g., age, turnover, length of contract etc). The SOM builds a multivariation data classification into a multidimensional data spectrum.

4.4.4 Developing customer churn models—Propensity to churn

Why should a company manage churn rate? International research has shown that it can be at least five times as hard to acquire new customers as it is to keep existing customers. In order to protect market share and profitability, the company should aim to achieve below industry average customer churn rates, which will tend to result in increased profits and higher customer lifetime value. Methods of reducing churn rates include tailoring products, services, processes and channels to the customer’s wants and needs, tailoring internal processes to the customer’s processes, tailoring solutions to the customer’s individual profile, implementing loyalty programmes, improving customer services, improving network performance and avoiding creating dissatisfied customers.

Reporting tools should be used to analyse the customer database to identify some of the characteristics of potential customer churn, including changes in spending or payment patterns; and customers with recurrent or multiple problems or queries. In cases where indications of an impending churn are identified, proactive steps should be taken to gather further information regarding the customer’s level of satisfaction with the service and to
identify corrective actions where this satisfaction is not high.

4.4.5 Customer churn analysis

The cost of churn in the telecommunications industry is large. It costs a great deal more to win new customers than it does to retain current ones. Moreover, frequently, a new customer will churn away before the company can fully recoup its acquisition costs. Customers satisfaction surveys can be misleading as indicators of what drives churn. Mercer found that 80 per cent of churners had previously stated that they were satisfied with their service, but nevertheless churned within 12 months. One solution is to use data mining techniques in churn analysis to perform two key tasks: prediction (predicting whether a particular customer will churn) and understanding (understanding why particular customers churn).

Data mining is defined as advanced methods for exploring and modeling relationships in large amounts of data. Types of data are interval (a variable for which the mean makes sense such as average income or average temperature) and categorical. Categorical data are divided into unary (same value), binary (only two possible levels), nominal (more than two possible levels) and ordinal (more than two possible levels with ordering, e.g., small, regular, large data). The data mining process consists of three steps:

1) Data pre-processing (data cleansing, sampling, transformation, variable selection)
2) Analysis (associations analysis, multivariate analysis, cluster analysis, prediction)
3) Interpretation (patterns, trends, structures)

The gained knowledge is used for a better understanding of the market (retention, needs, product management, communication and sales). A churn modelling campaign needs to make a number of decisions: definition of churn, the type of model to build, how to segment the data for modelling, algorithm-specific choices, the size and density of the model set, how to handle the time element, which data to include in the model, and how to calculate derived variables. Churn is the measurement of the proportion of the customers that leave a service or service provider over a given period. The types of churn can be divided into different segments: voluntary churn (containing controllable reasons and uncontrollable reasons), and involuntary churn. Examples of controllable reasons are going
over to the competition (‘in system’ churn) and cancelling altogether (‘out system’ churn). Examples of uncontrollable reasons are death, moving out of service area and stolen telephone. Examples of involuntary churn are non-payment, bankruptcy and fraud. The drivers for the controllable reasons are pricing, promotion, network coverage, service dissatisfaction, billing, old/broken equipment, affordability and lack of need.

Having carried out a lot of retention campaigns, the author has found that the major reasons for churn are competition (price difference, marketing), convenience (stoppages, barriers, age), image (homeland associated, age, social status), quality (complaints, numbers of customer care contacts) and price (price elasticity, saving potential, buying power, nationality, age). The key question is how to identify the variables in the data warehouse, that can approximate the churn reasons.

4.4.6 Churn modelling using decision trees

Churn modelling is an ongoing business challenge. Decision trees are a good choice for modelling because they provide rules that business users understand. Different types of trees include Chi-square automatic interaction detection (CHAID) for categorical variables, binned-entropy for continuous values and Gini. Important decision tree parameters are the minimum size of the leaf node, the minimum size of a node to split and the maximum depth of a tree. The challenge of pruning decision trees is to find the best sub-tree.

4.4.7 The time element

To build an effective model, the data in the model set has to mimic the time frame when the model will be applied. A classical mistake is the latency effect: modelling the present instead of the future. For example, several months of past data (eg February through July) might be used to predict the outcomes in August. Then, one might want to apply the model to predict outcomes in September at the end of August. When is August’s data available? A good model set includes data from several months, a latent month and counts the months back from the latent month. Including a latent month takes model deployment and scoring into account.
4.4.8 Customer data and information

Building valuable customer relationships requires customer information. This information must be comprehensive and it must reflect the rapidly changing marketplace. Traditional customer surveys are no longer enough. Companies must use multiple sources to collect and update customer information. These should include customer transaction systems to enable companies to capture highly detailed data on customers actual purchases, usage patterns, channels of acquisition and relationship histories, customer contact channels that include call centres, retail operations, the internet, welcome programmes etc. and market research that provides insights into non-customers.

4.4.9 Defining and measuring data quality

The crucial factor when building churn models is high quality data. There are four features that influence the data quality: accuracy, completeness, consistency and timeliness. A data quality assurance process consists of a cycle that contains the following four phases: define measure, analyse (data quality reports) and improve (quality control meeting).

4.4.10 Measuring customer’s profitability

When developing retention strategies, the aim is to create a model to predict who will most likely leave in the next month, based on last month’s data. The target group is the future churners. The model should predict the future churners better than without a model. When a campaign is defined, the customer’s propensity to churn is not the only feature that is incorporated. To maximise the NPV of a campaign, only customers with an NPV > 0 should be contacted. Customer profitability is a key parameter in the process of defining a customer strategy. There are four main factors that influence customer profitability i.e. Revenues, Product-oriented costs, Marketing-oriented costs and Service-oriented costs.

Customer value can be calculated in a number of ways and can vary in benefit as well as ease of implementation. The proposed way of calculating customer profitability, earnings before interest, taxes, depreciation and amortisation (EBITDA) represents the lowest level of variable costs by customer. Having generated the desired customer knowledge (customer clusters, propensity to churn and customer profitability) one can now design the right campaigns to retain customers and increase customer value.
4.4.11 Types of campaigns

Three kinds of campaign can be distinguished conceptually: win-back, retention and cross-up-selling. A win-back campaign concentrates on customers, that no longer produce turnover for the company. The goal is to get the customer back. A retention campaign concentrates on customers that use the company’s services, but are likely to churn in the near future. The goal is to strengthen their loyalty. The last kind of campaign, cross-up-selling, tries to find customers that might be interested in a further product or service. The goal is to sell them a further or upgraded product. Often companies use combinations of the above (eg cross-selling with the effect of retention).

4.4.12 The Concept of Customer Retention

Not only is it true for all service oriented businesses but also increasingly relevant to all types of businesses like manufacturing to retain customers. Never has a customer been more relevant to an organization’s success than in today’s essentially buyer focused markets. It therefore makes immense business sense to keep your customers from choosing your competitor’s products and services over yours. Not only does this ensure you the advantages of repeat business but also creates a comfort zone for the customers – Where they can predict the quality of service or product they can receive from you. It thus pays to manage and effectively retain satisfied customers. Therefore, customer retention is a series of activities and/or strategies aimed at keeping customers from defecting to your competitors.

4.4.13 Customer Retention Strategies

Building effective relationships with your customers is the key to customer retention. The relationship between the business and the customer should not only be transactional. Even if a business is doing well, it may not take long for your customers to defect unless you recognize their importance and make conscious efforts to retain them. Customers will be willing to pay more for a product or service if they have a personal connection with a business. The strategies include:

**Touch Base with Your Customer**

Having delivered what your customer wanted and also having been paid for it, you should also as a business make it a point to periodically make follow ups and enquire if what
you delivered is working right or that if there is anything that needs to be changed. The key point in this strategy is to build an effective feedback mechanism. This may not only make the business stay in touch but also allow it to look at other products and services more closely and therefore make continuous improvements.

Make It Personal

Business is obviously supposed to be professional; however, a small personal touch can go a long way to build mutual beneficial relationships. This can be done by occasionally picking up a phone and calling your client. In case of mobile telephone services, doing a thank you message or a happy holiday message will definitely go a long way in achieving that.

Customize your approach

Customers should be shown that the business understands their requirements better than anyone else. Products and services should be tailored to meet the customer’s requirements. Such customers will be willing to pay a little bit more for something that meets their requirements.

Respond to Enquiries

The business unit should make sure that it is prompt to respond to enquiries even when they are not within the scope of their operation. In such cases, you should also refer someone you know who might be able to help out.

Keep Listening

Keep your ears open to what your customers are saying. Although unstructured, such conversations can provide you with valuable insight of their requirements, vision and help you tailor products or services accordingly.

4.4.14 Brand Loyalty as a brand Equity Asset

It is a name and symbol that adds to or subtracts from the value provided by a product or a service to a firm and or to that firm’s customer base. The other brand equity assets include, name, awareness, perceived quality, brand association and other proprietary
brand assets such as patents and trademarks. Brand equity is highly related to the degree of brand loyalty. The other four brand equity dimensions enhance brand loyalty. The strength and impact of the other four brand equity assets will be seen in the extent to which they enhance loyalty, which consequently transforms into financial benefits from the brand.

4.4.15 Customer Loyalty

Customer loyalty has been defined as the customer preference of a product or service above all alternative products that could fulfill the same need requirement. The concept has also been defined as a non-random purchase over time of one brand from a set of brands by a customer using a deliberate evaluation process.

Companies should aim for high customer satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes along, whereas those who are highly satisfied are much less ready to switch. High satisfaction or delight creates an emotional bond with the product or service, not just rational preference which consequently results in high customer loyalty (Kotler, 2001). He further asserts that, a customer’s decision to be loyal or to switch is the sum of many small encounters with the company hence companies should create a brand consumer experience. The key to generating high customer loyalty is to deliver high customer value (Lanning as quoted in Kotler, 2001).

4.4.16 The Strategic Value of Loyalty

When loyalty exists, value is created in the eyes of customers (Adrian, 1998). Customer loyalty is crucial because of its effect on profitability and market share. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up and the cost of acquiring and servicing customers goes down (Ainsilie, 1992). Customer loyalty induces and makes the customer buy the brand (product or service) again and again. Behaviors of loyal customers include: Repeat purchase, renewal of contracts, purchasing different products from the same company and a positive word of mouth or referral behavior. All these actions are valuable to a company (Cross et al, 1988). The strategic value of customer loyalty has been elaborated by (Denning, 1986) He asserts that loyalty by an existing customer represents a strategic asset that, if properly managed and exploited, has the potential to provide value in several ways which include:
Reduced Marketing Costs

It is much less costly to retain customers than to get new ones. Loyalty of existing customers also represents a substantial entry barrier to competitors.

Trade Leverage

Strong brands will gain preferences from dealers and other business partners, for example suppliers. Trade leverage is particularly important when introducing new products, service varieties and brand extensions or variations.

Attracting New Customers

A customer base with satisfied and delighted segments can provide assurance to prospective customers especially when the purchase is somewhat risky. A relatively large satisfied customer base provides an image of the brand as an accepted, successful product which will be around and will be able to afford service backup and product improvements.

The customer base can also generate brand awareness in that friends and colleagues of users will become aware of the product just by seeing it. This can have more impact than commercial advertisements. Brand loyalty provides firms with time to respond to competition. If a competitor develops a superior product, a loyal following will allow the firm time needed for product improvements to be watched or neutralized. Loyal satisfied customers will not be looking for new products and they will receive little incentives for them to change even if exposed to the new product (Couper, 1984). In order to reap the above benefits, companies must not only manage loyalty but they must enhance it.

Emerging Industries

The ongoing global expansion of a high-tech telecommunications infrastructure, coupled with the increased availability of advanced information technology services, is having an impact on almost every emerging industry. Emerging industries are newly formed or reformed industries that have been created by technological innovations, shifts in relative cost relationships, emergence of new consumer needs or other economic and sociological changes that evaluate a new product or service to the level of a potentially viable business
There are no rules for the games in an emerging industry. The competition problem is that all the rules must be established such that the firms can cope with and prosper under them (Maina, 2005). Emerging industries share common characteristics relating to the absence of established basis for competition or other rules of the game or to the initial size and newness of the industry. To set up proactive retention strategies, we recommend mobile operators follow the below four steps:

4.4.16.1 Effectively Define Churn

As the first step in building a proactive retention practice, mobile operators need to first define properly what churn really means, for both prepaid and postpaid subscribers. This is not as easy as it may sound, as the definition used by telecoms globally can be quite different. If a prepaid subscriber does not make a chargeable transaction (i.e. make a call, send an SMS, use data, etc.) for a period of three months but does receive calls on the line, has he or she churned? Or, if a postpaid subscriber pays the subscription fee for six months in a row but has no inbound or outbound activity, has he or she churned?

Driving variations in the ways telecoms define churn are several factors, such as telecommunications authorities with their own definitions stepping in, subscribers who may be more mobile / go abroad for extended periods of time in a given market, competitive landscape, etc. To effectively define churn, telecoms need to conduct analysis regarding their consumer’s behavior, identifying at what point of behaving in a certain manner a subscriber does or does not leave.

Analyzing past churners to identify the number of weeks / months of inactivity preceded their leaving will help nail down a definition around churn, allowing for a standardized view across the organization on this issue. This definition will in all likelihood be different for prepaid and postpaid customers, and will serve as the driving measurement principle going forward.

4.4.16.2 Build Predictive Churn Model

A predictive churn model, for those who may be unfamiliar with it, is a tool that helps telecoms (or companies in other sectors as well, for that matter) identify which of its
subscribers will churn within a given coming time period. If a telecom loses 100,000 customers each quarter, for example, the predictive churn model tries to identify who those 100,000 subscribers will be in the coming quarter.

Without a predictive churn model in place, proactive retention efforts cannot be put into action. It is this tool that defines which customers to contact proactively, in order to prevent the churn occurrence from happening. Otherwise, a mobile operator would have to guess which subscribers may churn, causing severe inefficiencies in retention efforts as well as yielding little results.

A churn model must be tested before it can be relied on to support retention efforts, as it may not be predicting accurately enough which subscribers may actually churn. If the model, for example, predicts that 10,000 of a group of 20,000 subscribers will churn, but two months down the road only 5,000 have churned, the model has a 50% error rate, essentially unusable. As an entire proactive retention effort will be designed around the models, it is critical that their accuracy be tested and ensured before going live.

4.4.16.3 Design Offers & Channel Strategy

Based on the findings coming out of the predictive churn model, the next step will be to design offers to be made to the various groups predicted to churn. The variables to be considered in designing the offers are as follows:

- Churn Likelihood
- Customer Product (Prepaid or Postpaid)
- Customer Value
- Customer Usage Behavior (Local / International Minutes & SMS, Data, VAS, etc.)

Utilizing these variables, a dozen or more subscribers groups for targeting should be defined (i.e. postpaid subs with ARPU 500+ USD and above, with 25 – 50% churn risk, with 50+% of MoU international). Based on the defined groups, the next step is to design customized offers that appeal to their unique characteristics.

It is critical that the offers be relevant to the groups; using one or two standard offers won’t cut it, as an unattractive benefit won’t do much towards keeping the customer from
churning. For example, an offer to a prepaid subscriber whose ARPU is 30 USD, has a 25% likelihood of churning and only sends SMS in terms of behavior must be drastically different than that offered to a postpaid subscriber whose ARPU is 150 USD, has a 50% likelihood of churning and is active across the board, using data, VAS, etc.

The offers to be used should be of the kind that at least ensure the subscriber stay for a certain amount of time, preferably of the kind that even drive up ARPU. In its simplest form, the offer could be one that gives the customer a certain amount of free minutes each month for a certain number of months. In a more complex form, it could be one that gives a discount on a fixed postpaid plan fee for a certain number of months if and only if the subscriber migrates from their prepaid plan (this would be an example of driving up ARPU). One-off offers should be avoided, as the subscriber can churn immediately after depleting the benefits (i.e. 50 USD discount on a bill this month). One additional note – loyalty program benefits can also be used here, giving the subscriber additional points or services through the program for a certain period (i.e. if you stay with us, we’ll give you access to our platinum level service of our loyalty program for the next year).

Once a primary offer is defined for each target group, a secondary offer should also be defined, in case the subscriber rejects the primary offer. Not all offers will be attractive to all subscribers in a given group; having a secondary offer will ensure higher retention rates are realized through churn prevention efforts.

The above, of course, must all be in line with telecommunications regulations in the marketplace – in some markets, such offers must be made available to everyone – in others, such below-the-line offers are allowed.

Once the offers are designed and ready in the billing systems, the next step is to determine the contact strategy – who will be contact by what channel in what order. Using a contact center is the most effective method in retaining subscribers, but doesn’t make financial sense in many cases – a breakeven analysis will help determine which subscribers should be called (i.e. only those subscribers who have over 100 USD ARPU and have a 25+% likelihood of churning). Those not to be called can be contacted via SMS, e-mail, or auto-dialer (again, regulations need to be reviewed here).
4.4.16.4 Prepare Operations & Pilot Efforts

The final step, before going live, will be to design the enablers to drive the retention efforts – including alternate scripts, SMS text, training materials, etc. The importance of these cannot be stressed enough – a poorly trained call center representative with an ineffective script in his or her hands may cause more harm than good. The piloting phase is a perfect opportunity for examining the effectiveness of the materials as well as the agents.

At this point a critical fact about proactive retention efforts must be mentioned – such efforts only work when the retention offers are made mainly only to those subscribers who are about to churn. Even the most sophisticated and advanced predictive churn models in the world are unable to only pinpoint churners; that is, a model is able to state that 50 of a specific 100 subscribers will churn, not pinpoint the specific 50. The trick lies in making an offer to the 50 who will churn, and not to the 50 who won’t. If offers had to be given to all 100 subscribers, the business case around proactive retention efforts would not make sense.

As such, call center representatives need to have a target around the percentage of subscribers they can make offers to thus, their goal is to gauge the satisfaction level of the subscribers during the conversation to determine whether or not to make an offer. This can be done with excellent scripts and effective training, arming the representative as much as possible to ensure the desired outcomes are realized.

The final step, before going live, will be to pilot the churn prevention efforts, to ensure the optimal strategy is in place, taking into consideration several different factors:

- Reach Rates, by Channel
- Response Rates, by Channel
- % Satisfied
- % Accepting Primary Offer
- % Accepting Secondary Offer
- % Rejecting All Offers
- % Saved
- % Change in ARPU
The above findings must then be used to fine-tune the offers, the timing of the offers, the scripts, the training materials, etc. More importantly, the impact on the bottom line can be assessed, to determine what channel strategy makes sense, helping fine tune which customer is contacted by what channel (based on response and retention rates as well as % change in ARPU).

Mobile operators that haven’t yet launched their own proactive retention efforts should seriously consider doing so at this point. Such strategies are proliferating through the telecom industry, as the challenge of retaining subscribers is increasingly becoming more and more difficult.

4.4.17 Customize to the individual

Global companies like Amazon and NetFlix are already doing this and there is no reason why you can’t too. Encourage customers to register on website and implement a personal greeting each time they visit. Or select a daily or weekly ‘products that may interest list, based on data one has gathered regarding customers personal needs and interests. Dynamic, personalized strategies like these will make customers feel welcome and emphasize the fact that, to ones business, they are more than just a number.

4.4.18 Offer loyalty rewards

Another great way to make regular customers feel appreciated is to offer special deals or rewards in return for their loyalty. This can take the shape of returning customer discounts, special coupons or even a loyalty points system, whereby customers collect points for each transaction on your website and a certain amount of points wins them a gift or a free purchase. There are countless ways to show customers just how much company appreciate their continued business.

4.4.19 Be personal and approachable

Remember that every market and industry is littered with competitors – including yours! To make business stand out from this crowd, one need a familiar face and image. Customers are more likely to stick with a brand that they know and trust and, more importantly, that offers a personal touch. Addressing customers with their first name, using a
personable email style and investing in a readily available customer service team who really take the time out to listen and help are all ways to make customers feel right at home.

4.4.20 Create “Win Back” offers

If one of the customer does decide to part ways with company, there is no need to panic. As long as their membership or subscription has not been cancelled, one still has a few tricks up one's sleeve to regain their trust and patronage. A special discounted rate could help convince them to sign on for another year. A few coupons or freebies may also do the trick. Once company has swayed the customer’s opinion in favour again, it is up to company to show them why exactly they ought to stick around.

4.4.21 Customer Retention Strategy and Implementation

Strategy and implementation is all about getting out and making changes to business to increase Return on Customer Investment (ROCI). Once one has a measurement system (so it can measure progress) and management processes (so it can implement your ideas) and actually have to make changes to business. Those changes generally fall into two categories:

- Increase Per Customer Profitability
- Increase Customer Retention

Some of the programmes that have been implemented for each camp are outlined below but first one should know that one practice what one strategize! Unlike many organizations they not only help to uncover the right customer value strategy they get down into the trenches and help to make it a reality.

4.4.22 Increase per Customer Profitability

- Product and Service Bundling: It sounds so simple – combine some products and give away a discount to customers for taking up the combined products. The reality is that many organisations have ended up spending far more money on fixing there bundling attempt than actually making any money from it. Bundling can be a very profitable strategy for organisations. However, there are many implementation issues and
challenges that need to be considered that go far beyond the process and systems issues that you will face. For example, bundle qualifications, benefits and linkages, rules of engagement for new customers versus existing customers, etc.

- Cross-Sell/Up-sell programs: In order to deliver tactical initiatives that contribute to delivering strategy, all these programs need to be developed and delivered according to a combined impact on the customers relationship and ultimately customer value to you. However, the reality is that these are usually based on tactical decisions that result in much money wasted with minimal results that cannot be directly linked to improving your profits.

- One of the simplest ways of increasing customer profitability is to increase customer retention. Increasing customer retention by just one or two percent can have a dramatic impact on the overall profitability of your customers base.

- High Value Customer Retention Programmes to ensure that you can identify and retain your most valuable customers

- Save/Winback Programmes Save and Winback programmes prevent company from losing customers who are stepping away from organisation. This is more expensive than retaining customers but less expensive than finding new ones.

- Customer Satisfaction: How oh how do you justify investing in increased customer satisfaction. Its so soft and hard to relate to profit. We have several approaches that can be used to develop hard business cases for investment in customer satisfaction.

- Loyalty Driver Identification and improvement: Why do customers stay and why do they leave? Once you know why they stay you can create programmes to maintain and enhance customer’s loyalty always remembering that investments must have an appropriate Return on Customer Investment (ROCI).

### 4.4.23 Ideas to help kick-start customer retention marketing:

**Regular Communication with Customized Content and Special Offers** – This is the cornerstone of any good customer retention program and careful attention should be paid here. Most companies have some sort of newsletter to communicate with existing customers but fewer are actively making offers to their current install base that are customized according to what is already known about the customer. This can be as simple as offering
an upgrade at a special price to tiered discounts or preferred access to support or other resources.

**Customer service** – Poor customer service accounts for 70% of customer loss. Marketing should take that number very seriously and work with the support team to deliver content that can help service folks do their job. In my experience many thorny customer service issues stem from a mismatch between the offering functionality and customer expectations. Marketing can create content that can set customer expectations for functionality and performance to make sure there is a good match between the product and what the customer is trying to do.

**Listen (and then talk)** – The overwhelming majority of unhappy customers will never communicate their dissatisfaction with you. Regularly checking in on customers will help you to see signs of an impending departure while there’s still time to fix problems. Regular customer contact through customer advisory boards or other less structured customer calls will often alert you to bigger problems before they’re reflected in your metrics. You can learn a lot by eavesdropping on customers on blogs, Twitter and forums. Just remember that if you are going to engage with customers in this way you need to be prepared to act on the issues they are complaining about.

**Loyalty programs, appreciation awards and customer referral rewards** – rewarding customers for referring you new business or for repeat buys is always a good idea. Even in markets where that isn’t appropriate (I’ve never seen a rewards program for enterprise infrastructure software for example) you can still give customers an award to recognize them (and give them something to brag about).

Marketing is an integral part to any business, especially for a Virtual Assistance who has to rely on a professional and creative image. How you get the word out about your VA service can have a tremendous impact on the success of your business. Just throwing together a business card or brochure to hand out, or a quick website is not enough. One need to create a marketing strategy, one that will portray you as capable of creating an image for your clients.

Marketing strategy is all about creativeness and communication. How one
communicate your message will have an effect on how you are perceived in the minds of your customers. If company's own marketing material is not enough to get the attention of its potential clients, or if they have a negative perception, then how can company expect them to have confidence in them being able to help them with their needs?

Having a clear idea of what drives your customer to buy can help you to communicate to them why they need your services and how you can create and maintain their image.

So how do you go about making sure that you are saying the right thing and portraying the right image, and that your potential client will keep you in mind?

Determine the objective of your marketing material. What do you want to accomplish with this piece of advertising? Do you want your client to call you for further information, do you want them to cash in a coupon or to bookmark your website for future reference? Give them a directive.

Decide who will be your target market. Are you trying to sell to a large corporation or to the mother of small children? ‘Who’ is going to buy from you is ‘who’ you need to focus your message on.

Compose a positioning statement. In a single sentence convey exactly how you want your customer to perceive you, something that will stick in their mind. (ie. “We specialize in word processing”)

Now, add a primary benefit to that sentence. (ie. “so you can get experienced help when you are short staffed or overloaded.”)

And then, throw in a supporting benefit. (ie. “saving you time and money on your staffing needs.”)

Now, work with this sentence to get your main message across. If you only had space for one message, what would it be?

Add any other supporting messages that will convey the benefits of having your product or service. (ie. “No need to provide equipment. We do everything in our office.”)
Give your customer an opportunity to provide a desired response. How do you want them to react to your communication? (ie. “Wow, this is a great service that will save me money” or “I could really use this service to get a handle on things.”)

Make sure to project the right tone in your communication. Use a number of adjectives to describe your product or service, expressing how you want to be regarded. (ie. professional, innovative, exciting, friendly, newsworthy, creative, etc.)

Last, but not least, consider how you are going to execute your message. Does it fit best on a 3-fold brochure and what kind of paper do you want to use? Do you need a tear-off coupon on it? Does your message fit best on one page of a website or several pages? How are you going to turn your marketing strategy into hard copy or virtual copy?

All in all, you are designing and executing your marketing strategy to attract potential clients and to show them your creativeness and capabilities. Always have them in mind when putting ideas down on paper or on the web. What you think is appealing may not be appealing to your customer. Ensure that your message will catch their eye and impress upon them that your service can make their lives so much easier in more ways than one.... and better than your competitor.