CASE STUDY - Improving Customer Retention

Business Issue

The telecommunications industry is a very competitive and cut-throat market. The commercial focus within this industry often relies on price-led offers to acquire new customers, offering attractive handsets at low rates for the first few months of a new contract.

Our team worked with one Telecoms Company that utilised this acquisition strategy. Whilst relatively successful at bringing in new customers, they were concerned that subsequent churn rates (the number of customers who were leaving the business) were staggeringly high.

Analysis Undertaken

We initially undertook an in-depth analysis of customer behaviour and revenue using data taken from their systems. As a result of this we were able to identify two key insights – insights that could be used to drive a business strategy:

- A Pareto analysis showed that less than 10% of customers generated more than 50% of the revenue, whilst the top 1% of customers generated more than 10% of all revenue.
- The churn rates of these 2 high value groups were comparable to that of the company average.

Focus2020 Recommendations

Our main recommendations were:

- Start a retention program for these 2 customer groups with the aim of significantly reducing churn rates. Our projections showed that a small investment would protect the on-going revenues of these high value customers, generating an incremental revenue of in excess of 10% per year
- Initiate a market research programme aimed at these key customer groups to identify their needs and how the company could better service them - with the objective of increasing customer retention and loyalty
- Change internal processes and tweak systems to allow our client to recognise these high value customer groups across all touch-points. They would then be able to improve service levels and deliver relevant messaging at each touch-point
- Protect the two high value customer groups from receiving generic marketing communication. Alongside this, we recommended ways to enhance product and service offerings based upon their requirements
- To readdress the balance between customer acquisition and customer retention to increase overall profitability of the business

This company was already in the process of implementing a CRM system. As part of our work, we reviewed the client's business requirements for the new system and recommended various changes that would align it with the new business strategy, ensuring they would maximise benefit from their CRM solution.

Business Impact

- The first campaign to the high value customer groups was a resounding success. Feedback from customers was that they absolutely loved the recognition and VIP attention. One customer, a company CEO, requested a switch of all company mobile phones to our client. He also set up an in-house offer to his employees and family members for their mobile needs.
- A 6 month analysis has also shown a marked reduction in the churn rate of these customer groups and an increase in overall profitability of the business.