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CUSTOMER RETENTION: UNLOCKING 'STICKY' SUCCESS WITH DESIGN THINKING

JITENDER MOHAN, HEAD, CUSTOMER INTERACTION SERVICES



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Statistics make interesting reading. For example, Gartner estimates that 80 percent of future revenue will come from just 20 percent of existing customers¹. However, the 2019 CMO Annual Survey indicates that while 52.2 percent of CMOs surveyed on marketing outcomes expected retention to remain the same, 71.9 percent looked to increase customer acquisition, purchase volumes, and more effective cross-selling².

Customer acquisition or customer retention? In today's hyper-competitive era where consumers have an almost endless choice of brands and increasingly shrinking attention span, this debate certainly needs a revisit.

The imperative to create long-term sustainable value – and not just transitional results – has regained its critical importance. As early as 2014, Bain & Company asserted that a mere 5 percent increase in customer retention rates can raise a company's profitability by 25-95 percent. In fact, Gartner stretched the outer limit to a more aggressive 125 percent³.

Further studies reaffirm the merit of customer retention. An Invesp research points out that it can cost five times more to attract a new customer, than to retain an existing one⁴. Another study⁵ on loyal customers shows they are five times more likely to buy again or forgive, and four times more inclined to refer, and seven times more open to try a new offering.

The new realities seem to have hit home. Companies are pivoting towards customers who had an earlier satisfying experiences but did not return. Being continually aware of customer needs, and proactively and strategically engaging with them at the right time is of paramount importance for customer stickiness.

¹<https://www.forbes.com/sites/alexlawrence/2012/11/01/five-customer-retention-tips-for-entrepreneurs/#2a3495fb5e8d>

²<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/CMO/us-cmo-highlights-and-insights-report.pdf>

³<https://www.entrepreneur.com/article/227946>

⁴<https://www.invespcro.com/blog/customer-acquisition-retention/>

⁵<https://www.outboundengine.com/blog/customer-retention-marketing-vs-customer-acquisition-marketing/>

BUILDING CUSTOMER-CENTRIC ENGAGEMENT WITH DATA ANALYTICS

Effective go-to strategies for authentic engagement with customers call for deployment of design thinking with advanced data analytics. A HubSpot survey found that companies that put data at the core of their marketing and sales decisions improved their marketing ROI by 15–20 percent. A word of caution though – every consumer is different and retention strategies should reflect the needs of the relevant consumer segments. At a more basic level, this starts by listening to customer requirements as they start their journey with a brand, understanding them, and then building strategies around what matters most for them.

Here are some interesting examples of design thinking strategies incorporated by industry leaders for effective customer alignment.



FOR CUSTOMERS SEEKING CONVENIENCE AND SPEED

Retail customers today tend to value quality products and ease of purchase more than price. Amazon has leveraged this insight and implemented various strategies such as dash buttons, one-click ordering, Amazon Prime, Alexa etc. Customers can get notified to place orders at the click of a button or by a simple voice command – and get their orders delivered without leaving their homes.

Of course, the key challenge in implementing this strategy is to understand when your customer might need a particular product and to engage with them at those specific times. To do so, Amazon deploys predictive analytics

to their connected products. This enables them to anticipate when a customer would place a particular order to be delivered at a specific address. They accordingly stock up their warehouses for speeding the delivery process.

Customer Obsession is a core principle at Amazon and they have truly aced the science and art of listening to customers. Little wonder they are so successful in outperforming on their customer service quality measures of ‘right service’ and ‘helpfulness’.



FOR CUSTOMERS SEEKING HELP IN DECISION-MAKING

Wayfair, a multi-billion-dollar home furnishing eCommerce platform, discovered a key pain point of their customers – the difficulty of visualization. How would furniture look like in their rooms? Would it match the ambience? Would it be too big to fit?

Understanding this customer requirement, Wayfair launched the ‘Search with Photo’, a visual search tool through their mobile app. This app’s AR-powered ‘View in Room’ feature enabled customers to actually visualize the furniture piece in the context of their homes. In addition to providing a great customer experience, Wayfair could use the data and consequent insights to build personalized content and recommendations closely aligned to customer preferences – and improve their customer retention rates by 50 percent.



FOR CUSTOMERS SEEKING FLEXIBILITY

A US utility company leveraged their customer interactions data to offer them flexibility in bill payment – letting them choose their due dates, preferred mode of payments etc. This strategy not only resulted in increased revenues and reduced costs for the company but also enhanced customer experience.



FOR CUSTOMERS SEEKING PERSONALIZED ADVICE

European utility firms face fierce competition as the EU allows utility consumers to switch providers easily and in as quickly as less than 24 hours. Customer retention is thus critical for these companies.

Cognizant of this concern, Bidgely, a California-based energy analytics start-up firm, released their 'Voice of Customer Report' in 2019 highlighting the consumers' need for transparency and personalization. Bidgely now collaborates with utility firms to position them as 'energy efficiency advisors', and helps them provide their customers with energy management solutions across individual appliances. It is a win-win strategy. Consumers gain control over their energy consumption, while energy providers gain more insights on customer behavior to individualize their offerings. The utility firms further engage their customers by sharing relevant content through blogs or newsletters. Result? They have been able to address customer needs and retain them even amidst aggressive price wars.



FOR CUSTOMERS SEEKING PROMPT ASSISTANCE

Healthcare companies have benefited most through technology interventions, which has delivered positive patient experiences – especially for patients requiring immediate critical care.

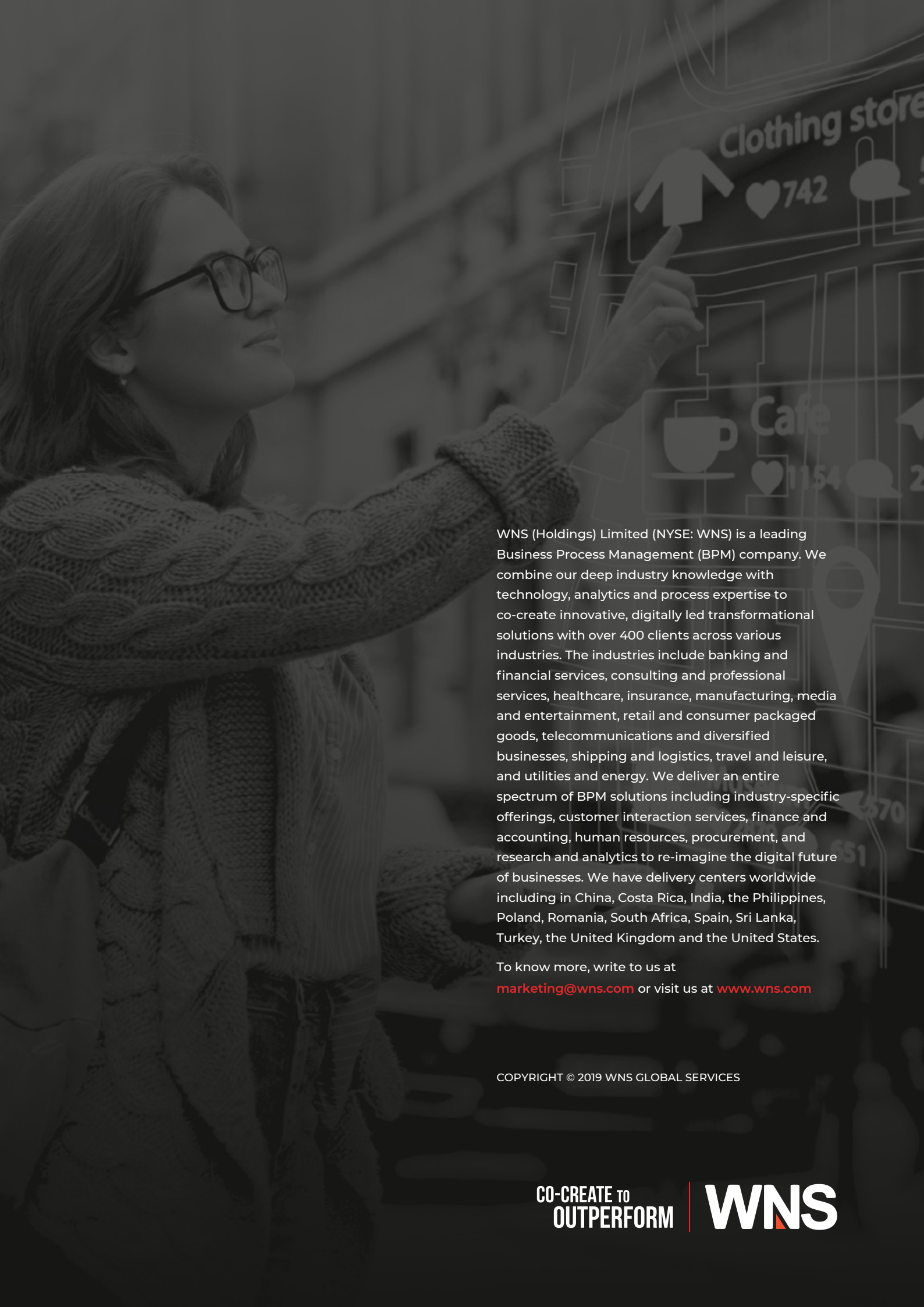
In one such effort to ease the lives of asthma patients, ADAMM – an Automated Device for Asthma Monitoring and Management – was developed by Health Care Originals. This wearable device detects symptoms of an attack early on and alerts the wearer and the caregiver before it gets worse. The app and web portal can also be synced to the device to alert the wearer to take medication at prescribed times. The device can further record voice entries such as changes, feelings, and behaviors at the press of a button.





Digital technologies have redefined customer habits and behaviors. A transformative approach is required to ease the customer journey, and develop customer trust and brand loyalty in this environment. Businesses need to employ design thinking methodologies to continuously analyze customer data and find newer ways to build customer-specific strategies. It also requires investing in building relevant capabilities to address the need at hand.

So, what is your customer like? Do you understand their needs? Do you know the core challenges they face when they engage with you? What strategies do you want to implement to better engage with and service them? Here is wishing you the best in fulfilling their needs through seamless experiences, and creating long-term sustainable value for your organization.



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