

Locking the customer churn during the unlocking process.

The author looks at how industries hit by customer churn thanks to the pandemic can undo the damage...



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By Ritu Mehta During the ongoing COVID-19 pandemic, many brands are facing the challenge of customer churn. Particularly affected are the ones in the hospitality industry, in-store retailing, airlines, and membership-based services. With the declining second wave of the COVID-19 pandemic and a calibrated unlocking of the economic activities, marketing strategists are augmenting their efforts towards customer retention. One of the critical issues these firms are grappling with is who should they target with their retention programs given their limited marketing budget. On one extreme are customers with a high propensity to defect due to the changing dynamics in the post-pandemic world, and at the other end are a firm's most loyal customers who have demonstrated stickiness during the turbulent times. How can the marketer best allocate its critical marketing spend and effort?

Interestingly, one of the parallels of this decision making is emerging from the management of the pandemic world-wide. One of the issues that almost every country wrestled with is the allocation of limited resources like beds and ventilators to the overwhelming and relentless demand of these resources during the rising trend of the caseload. Countries like Italy prioritized saving young lives with an objective to maximize the chance of saving a life and also maximizing the years of life. Incidentally, much before the COVID-19 pandemic happened, the New York health guidelines state that "patients with the highest probability of mortality without medical intervention, along with patients with the smallest probability of mortality with medical intervention, have the lowest level of access to ventilator therapy.

Thus, patients who are most likely to survive without the ventilator, together with patients who will most likely survive with ventilator therapy, increase the overall number of survivors". Though intuitively appealing, the challenge in implementing these guidelines lies in the potential backlash from certain sections of the society who can view it as favouring one group over another on the basis of age. There is arguably a credible threat of perceived lack of fairness in such policies.

Similarly, marketers during the economic recovery are facing this dilemma of who to target with their retention programs. Should they focus their marketing program comprising communication strategy, promotional offers and selling efforts to their best customers in terms of value and share-of-wallet or to the customers who are most likely to defect to competitors' brands. This classical optimization problem of allocation of marketing spend can borrow

the insights from the allocation of limited resources in healthcare management during the pandemic. Accordingly, marketers should ask this question: who is most likely to respond to their retention programs?

Since the pandemic has resulted in changes in buying behaviour and consumer preferences, the first step for marketers would be to keep away from making assumptions based on past data and rely on gathering as much information about their customers and their preferences that can help in designing the retention program. This might involve introducing a new, a very basic variant of the product or service to retain customers who are no longer able to afford the firm's flagship product. This can be followed by marketing research to identify the high responsive customers to the planned program in terms of demographic and behavioural variables. Such customers can subsequently be engaged at an appropriate time with the right intervention channel and offer. For B2B customers, the way forward could be to segment based on how the pandemic has affected their respective industries and accordingly design the assistance program. Concurrently, all firms should ensure that their loyal customers are not ignored. While applying retention tools directed at a particular segment of customers, marketers should avoid situations where it appears less fair or unfair to customers at large which can result in a backlash for the firm. In the age of social media wherein information sharing happens at a rapid pace, it is important to choose the tools carefully to avoid the wrath of customers, social activists, and regulatory bodies.

The author is a faculty of marketing at IIM CALCUTTA

By Ritu Mehta, IIM Calcutta.

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