RELATIONSHIP MARKETING

Customer Churn Prediction

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This research aims to come up with strategies that can be used to predict and pre-empt customer churn in order to increase retention times and customer lifetime value. The current research is about churn prediction and relationship marketing. This research brings something new by combining these two aspects and delivering a comprehensive set of strategies that the companies can implement in their current marketing and churn prevention strategies.

The strategies are intended for the telecom industry and aimed mainly at the B2C sector. The research also goes through the background of relationship marketing, Finland's telecom industry and customer churn, moving afterwards to discussing applicable strategies.

This research found that customer loyalty has a direct correlation with churn rates. Things that affect customer loyalty are service quality, value offered, customer trust and customer satisfaction.

Keywords Customer churn; relationship marketing; customer loyalty; telecom; prediction.
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International Business | Abstrakti

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Aihe Suhdemarkkinointi - Asiakaspoistuman Ennakointi
Ohjaaja Simona Chilba

Tämän tutkimuksen tavoitteena on luoda menetelmiä, joilla pystytään ennustamaan ja ennaltaehkäisemään asiakaspoistumaa pitkien asiakassuhteiden luomiseksi ja asiakasarvon kasvattamiseksi. Nykyiset tutkimukset liittyvät joko poistuman ennakointiin tai suhdemarkkinointiin. Tämä tutkimus luo uutta yhdistämällä molemmat osa-alueet ja tuomalla kokonaisvaltaisen ratkaisun, jonka yritykset voivat sisällyttää nykyisiin markkinoinnin sekä poistumaneston strategioihinsa.

Strategiat on tarkoitettu pääsääntöisesti teleoperaattoreille henkilöasiakaspuolelle. Tutkimus käy läpi suhdemarkkinoinnin perusteet, analysoi Suomen telemarkkina-alaa ja asiakaspoistumaa, jonka jälkeen selvitetään sovellettavia strategioita.

Tutkimuksen mukaan asiakasuskollisuudella oli suora korrelaatio asiakaspoistuman määrään. Asiat, jotka vaikuttavat suoranaisesti asiakasuskollisuuteen ovat palvelun laatu, palvelun arvo, asiakkaiden luottamus sekä asiakastyytyväisyys.

Avainsanat Asiakaspoistuma; suhdemarkkinointi; asiakasuskollisuus; teleoperaattori; asiakaspoistuman ennaltaehkäiseminen.
Sivut 32 sivua

Contents

1 Introduction 1
1.1 The research questions and goals 1
1.2 Scope of the research 2
1.3 Thesis Structure 2
2 Theoretical Framework 3
2.1 Relationship Marketing 3
2.1.1 Differences between RM and transaction marketing 4
2.1.2 The thirty relationships of relationship marketing 6
2.1.2.1 Classic market relationships (R1-R3) 6
2.1.2.2 Special market relationships (R4-R17) 7
2.1.2.3 Mega relationships (R18-R23) 12
2.1.2.4 Nano relationships (R24-R30) 13
2.1.3 What does the company benefit from relationship marketing? 15
2.1.4 The history of relationship marketing 17
2.2 Finland’s telecom industry 18
2.3 Customer churn 20
2.3.1 Customer churn situation in telecommunication industry 20
2.3.2 Current solutions for preventing customer churn 21
3 Research methodology 22
4 Analysis 23
4.1 Predicting churning customers 24
4.1.1 Focus on customer perceptions 24
4.1.2 Focusing on the loyal customers 25
4.1.3 Using predictive models 25
4.2 Methods for pre-empting and preventing churn 26
4.2.1 Service quality 26
4.2.2 Value offered 29
4.2.3 Customer trust 30
4.2.4 Customer satisfaction 31
5 Conclusion 32
6 References 33

1 Introduction

When the customer suddenly leaves the company and goes to their competitor, it leaves the company wondering what the reasons are behind that. Even a long-time customer can suddenly just decide to switch brands or service providers. Sometimes it might seem random and trying to understand the reasons behind this sets up for a challenge. It is extremely difficult to analyze the exact reasons behind a leaving customer because it could vary from a single reason to a multitude of reasons that have piled up over a period of time. One of the many reasons behind a leaving customer could be, that their expectations were not met, they were let down, they were misguided, or they got a better offer from another company. Often these breakdowns start at an earlier stage and then start to add up and ultimately lead to the customer leaving. It is extremely important for the companies to identify, predict and prevent these issues early.

According to Khan, Jamwal, and Sepehri (2010), acquiring a new customer could be five times more expensive than keeping an existing one. This research digs into this subject and analyzes the reasons behind the leaving customer and how to develop strategies to create a stronger bond with the customer in order to increase customer retention time. Maybe there is a way to lower the amount of customer loss and develop a strong strategy to predict and ultimately prevent the customer loss?

1.1 The research questions and goals

This thesis focuses on finding the link between customer churn and relationship marketing (RM). The goal is to find if there are any strategies to predict churning customers and to find what kind of strategies can be used to prevent them from churning in order to keep the churn rate low as possible. The key to success is to find and identify the different metrics that can be used to help developing the strategies. The ultimate goal of this research is to answer the following research questions: “What strategies can be used to predict churning customers?” and “How is relationship marketing used to prevent customer churn?”.

1.2 Scope of the research

The research will mostly focus on the telecom market in Finland, but it is narrowed to the consumer segment (B2C). The information which this research provides, could be used by these companies to help them develop or improve their strategies in order to decrease their churn rate and create long term relationships with their customers.

There are many studies that have been conducted about these subjects where the main focus was mostly on either identifying customer churn metrics or RM. There was not enough research done that focused on developing strategies that can be used to fight customer churn. This research focuses on developing different strategies that can help lower the customer churn and increase the customers relationship and loyalty towards the service providers.

1.3 Thesis Structure

Chapter two goes through the current literature about relationship marketing, Finland's telecom industry's history, customer churn and the current methods that are used to prevent customers from churning. These chapters dive deep into the subjects and lay down the theoretical framework for this research to be built on. They go through the studies that have been carried out and also focus on the gaps that these studies have. Chapter three goes through the research method(s) that were conducted in this research, data collection and also explains the reasons why these specific methods were used. Chapter four discusses the results of the research and gives examples about real world usages. Chapter five wraps up this research with a summary and a conclusion of the topics.

2 Theoretical Framework

2.1 Relationship Marketing

The first time Relationship Marketing (RM) appeared in marketing literature was in 1983, when an author named Leonard L. Berry published his paper “Relationship Marketing”. In this publication, the author focused on the different customer relationships, such as attracting new customers, strengthen and preserve relationships with the customers. After his work was published, the interest in RM has increased between marketing researchers. The discussion about RM in marketing literature has been broadening and the literature started to recommend the technique. (Kumar, Bohling, & Ladda, 2003, p. 668)

RM is a marketing technique for the companies to help create a long-term relationship with their customers. The key here is to convert the customer base into loyal customers that will lead to increased customer lifetime value and profitability for the company. (Gummesson, 2008, p. 5) This marketing strategy differs from the traditional way of marketing technique called transaction marketing. In transaction marketing the focus is to get as much customers as possible, with the goal of maximizing the sales and transactions. (Gummesson, 2008, p. 24)

Marketers are leaning towards RM philosophy more than ever before, because of its importance and impact on today’s relationships between the parties. It has been found that building individual and customized relationships with the customers yield better results in terms of profitability and customer retention rates. The only issue here is that RM is not as straight forward as it might sound. In the philosophy of RM there are 30 different relationships segments that are included in this theory which are called 30 Rs. (Gummesson, 1994, p. 5) When compared to the more traditional marketing mix theory of 4Ps (product, price, place, promotion), it might be seen as more complicated strategy.

This chapter goes through all of the 30Rs. In the later stages of the research when coming up with strategies for preventing customer churn, 30Rs are used as reference. The difference between RM and transaction marketing, the history of RM and the differences of the traditional marketing mix and RM will also be studied.

2.1.1 Differences between RM and transaction marketing

In many cases, RM is seen as the flipside of transaction marketing which focuses on the one-time sale. In transaction marketing, it does not really matter that the customer has bought multiple times, only the first sale is measured. It does not care if the customer will ever buy again from the company. Also, in transaction marketing there is no emphasize on the relationship with the customer. Even if the customer happens to buy multiple times from the company, it could just be that there is no alternative for the product or service. (Gummesson, 2008, p. 24) In some cases transactional marketing is still a useful way of marketing, depending on the business. For example: businesses that sell goods that the customer might buy once or twice during their lifetime; real estate agencies have customers that might buy a house once in their lifetime.

Differences between Relationship Marketing and Transaction Marketing

	Transaction Marketing	Relationship Marketing
Focus	Focus on the single sale	Focus on customer retention
Orientation	Orientation on product features	Orientation on product benefits
Time	Short time-scales	Long time-scales
Customer service	Little emphasis on customer service	High emphasis on customer service
Customer commitment	Limited customer commitment	High customer commitment
Customer contact	Moderate customer contact	High customer contact
Concern for quality	Quality is the concern of the production department	Quality is the concern of all

Figure 1. Difference between Relationship Marketing and Transactional Marketing (Claessens, 2018).

On the other hand, RM has a high focus and importance on customer loyalty, which is the core of the philosophy. There are different stages of customer loyalty. The first and the lowest one of customer loyalty stage is called the *prospect*. They are yet to become customers. For example, in Telecom companies, prospects are often contacted by the company to make them an offer. After this stage, if the prospects make a purchase, they will become *customers*, which is the second stage of loyalty. The third stage is the *client* stage, where the customer has been a customer for a longer period. At the fourth stage, the client will turn into the *supporter* of the company and at the last stage of loyalty is when the supporter turns into *advocate.* (Gummesson, 2008, p. 24)

It is important to note that there are no better or worse marketing techniques. Each marketing technique has its own advantages and disadvantages. It is equally important for the company to choose the right technique that fits the business, because choosing the wrong one could cause problems. The company must understand the link between the profitability of their customer and their loyalty. (Kumar et al., 2003, p. 668)

Sometimes, losing the customer is the right thing to make. In most companies, the objective is to be profitable in the end. If the company is building good relationships with its customers, but if building and maintaining these relationships have high cost, then the company may not profit from them. Long term customers will have higher expectations from their company and will also need to be given more attention. Using transaction marketing, the company could have a good customer acquisition rate, but on the other hand it could be losing customers at a higher rate, because of not focusing on the relationships, which could result in the company losing its profitability. It is possible that some of the short-term customers could be more profitable than the long-term ones, depending on the situation. (Kumar et al., 2003, p. 668)

The research from Kumar et al. (2003, p. 669), has found that not all long-term customers might be the reason of good relationships. The research implies that it could be because of something completely different. One of these reasons could be due to different costs of changing the service providers. It could be the financial cost or even the cost of time, i.e., when learning the new service or time for the setup. In the telecom market, the reasons are often the one-time fees of the subscriptions, switching of the sim-cards, copying the contact information, installing new software, testing the signal etc. The more services the customers have, the more costly and time consuming it is for them to change service providers.

2.1.2 The thirty relationships of relationship marketing

According to Gummerson (2008), RM is a complex strategy that needs to be cut down into 30 smaller relationships called the 30Rs. These 30Rs include a variety of relationships between the different parties, such as the customers, the company, and marketing. The company can use these Rs to incorporate them into their marketing and planning strategies. The Rs do not have a specific order except the R1, which is the relationship between the customer and the company. R1 is the base for the whole marketing process to be built on. However, the importance of the Rs is often purely based on the company involved, in which market the company operates and on its different circumstances. (Gummesson, 2008, p. 36) Not every R is suitable for all companies or all situations. The most effective way to use the Rs is to select the specific ones to create a portfolio, and then use it in the company's customer relationship management (CRM). (Gummesson, 2008, p. 40)

The Rs are divided into four different segments. Each of the segments has the Rs that are related to it. This section dives deeper into the different segments and more closely go through the different relationships inside them.

2.1.2.1 Classic market relationships (R1-R3)

This segment includes the first three relationships that form the foundation of the business and market operation. It consists of three key things, the supplier and its customers, the distribution network of the supplier, and the competitors in the market.

- R1: *The classic dyad: the relationship between the supplier and the customer.* It is the relationship between the buyer and the supplier. This is the main pillar of relationship for the whole RM on which the foundation of business lays on. The supplier is usually represented by a salesperson or by a cashier at the store. Nowadays, making business remotely is increasing because of the development of technology. This allows the relationships to begin through the use of multiple different platforms, such as over the telephone, email, and all the online channels that the company has, such as chat and social media. (Gummesson, 2008, p. 45)

- R2: *The classic triad: the drama of the customer–supplier–competitor triangle.* This is basically the market that the company operates in and its competition. The market consists of different competitors with different products, and the customers. RM's emphasis on competition is not to challenge the competitors with lower prices or try to confuse them in other ways. Instead, RM suggests creating a more sustainable way of advantage, i.e., by product differentiation or by providing more value for the same price. (Gummesson, 2008, p. 57)

- R3: *The classic network – distribution.* Company's distribution of goods and services is often seen as a sequential chain, where the goods are transferred from point A to point B, for example to customers or to the stores where they are made available for the customers. Instead of seeing distribution as a sequential chain, RM sees it as a supply network that consist of a complex networks and partnerships (relationships). There relationships include delivery services, different manufacturers, people, and customers. Not only goods are seen as something to be distributed, but even the customers when they shop for food in the market are seen as a part of the distribution network, or workers that drive to their work. It is highly important for the relationships between the network of distributors to be based on trust to be successful. (Gummesson, 2008, pp. 66–73)

2.1.2.2 Special market relationships (R4-R17)

In this part, the relationships are related to the classic market relationships, but still provide a different aspect to them. In example the aspect of a customer service situation, or customer seen as a part of a loyalty/reward program.

- R4: *Relationships via full-time marketers (FTMs) and part-time marketers (PTMs).* Marketing is not seen as an own department in its own silo, but instead the activities of the marketing function is influenced by the whole company. It could also be that the marketing or the sales team are just responsible of a small portion of the whole impact in the company’s whole marketing. It could be even argued that there is no such thing as a marketing department in a company.

There are two types of marketers that both affect the company’s marketing in their own way. Both of the marketers are defined in Figure 2 below.

Resources Role as marketer	Internal	External
Full-time marketer (FTM)	Marketing and sales staff	Distributors, advertising agencies, etc.
Part-time marketer (PTM)	All those who are not FTMs	Customers, investors, media, etc.

Figure 2. Internal and external FTMs and PTMs (Gummesson, 2008, p. 77).

The first types are the full-time marketers (FTMs). These are the ones who mainly work in the company’s marketing or sales departments. Internally they could be the company’s marketing and sales staff. If the company has outsourced their marketing, then externally it could be an advertising agency.

The second types are the part time marketers (PTMs). Internally they are all the ones that work in other departments than marketing. Externally it could be the customers word of mouth or the media. The advantage of external PTMs is that they are not being paid and is free advertisement for the company. The only downside to it is that the company cannot decide what they say about them. (Gummesson, 2008, pp. 77–82)

R5: *The service encounter – interaction between customers and suppliers.* This refers to all the interactions that happen between the customer and the service provider. It is what the customer sees or experiences when being in touch with the company, or what the worker sees when working. For the customer, the interaction could be with customer service representative, the other customers that are waiting in line, the company's services cape, basically everything that is visible during the interaction. It is called the service infrastructure. Each person inside the company has their own service infrastructure, i.e., the customer service representatives could interact with the current customer, the customer that is waiting in line, the management, the support staff etc. Each service infrastructure is influenced by different factors, customer's service infrastructure is influenced by society and the competitors, i.e., the customer can notice the increased security inspections if there has been a lot of theft. (Gummesson, 2008, pp. 82–85)

- R6: *The many-headed customer and the many-headed supplier.* Here, both the customer and the supplier are seen as networks. When the customer interacts with the supplier, it means two networks meeting and interacting with each other. The customers are influenced by their family, relatives, friends, thus creating a network. The company consists of different departments and suppliers that create the network. (Gummesson, 2008, p. 91)

- R7: *The relationship to the customer 's customer.* This is the relationship between the company and its customer's customer (Gummesson, 2008, p. 96). The relationship is concerns B2B companies more. This research is narrowed to B2C aspect so this relationship will not be discussed.

- R8: *The close versus the distant relationship.* There are two kinds of relationships the company can have with its customers, and both will give different results. The close relationship is the direct relationship with the customer, meaning the interaction happens without intermediaries. This could be directly asking feedback from the customer during an interact to see how they really feel about the service, and to get first class feedback and deeper understanding. The second one is the distant relationship where understanding the customer happens though market surveys. Distant relationships are good for mass marketing, but in the current world of customized marketing, it is not as effective anymore. (Gummesson, 2008, pp. 100–105)

- R9: *The relationship to the dissatisfied customer.* A dissatisfied customer will do one of the following actions: change service provider, demand correction, or stay as a loyal customer. The actions vary depending on the customer and the reason behind the dissatisfaction. How the customer feels remain mostly unknown to the service provider. The key is not to just settle the dissatisfaction, but to also try restoring the long-term relationship with generosity and make it strong again. The provider's premise should be to do things right to avoid dissatisfaction in the first place. A single bad experience that is handled will keep the customer. To be able to correct the mistake quickly, the front-line staff must be empowered to make decisions themselves. The employees must be also trained to be emphatic. It is important to remember that the customer is also a PTM that was explained in R4. Unsatisfied customer will spread bad advertisement to 10-20 people. In comparison, the satisfied customer only praises the company only to 5 people. (Gummesson, 2008, pp. 105–110)

- R10: *The monopoly relationship – the customer or supplier as prisoners.* When there is only one supplier, it is called a monopoly. When there is only one customer, it is called a monopsony. In monopoly, the supplier has the total control over the customer, and they can play with the prices as they want, and the customer must just accept it. Sometimes the customer is imprisoned to one supplier, not because there are no other suppliers, but because of the high switching cost. A company in this position does not only have the power to decide the pricing, but they can make things difficult for the customer, by lack of care and poor services. (Gummesson, 2008, pp. 111–112) A customer in a monopsony position has the advantage in acquiring the lowest prices from the market. This is possible by being the only customer in a particular area, which gives the freedom and leverage to negotiate the best deals and choose the right suppliers. The suppliers in this position must fight for the only customer. (Young, 2020). Basically, in monopoly and monopsony there is always one entity that has influence on the market (Investopedia, 2021).

- R11: *The customer as 'member'.* The customer can be turned in to a member of the company by providing memberships. The idea of the membership is to create more loyal customers and increase the customer retention time. Both parties benefit from the membership, the customer could get discounts and the provider could collect data from the customer to use in their CRM systems and create targeted offers. (Gummesson, 2008, pp. 117–121)

- R12: *The e-relationship.* This relationship basically means all the interaction that happens over the internet. More and more people have access to the internet either via their computer or smartphones. The supplier has a good opportunity to capitalize on this market by providing e-channels, like an online store for the customers to do their shopping in, or by using it for targeted marketing. (Gummesson, 2008, p. 121)

- R13: *Parasocial relationships – relationships to brands and objects.* It is a one-way relationship that the customer can have with the brand or company, and it could affect their behavior. When the customer buys the product or service, it might make them feel a certain way. It depends on how the company has built its brand or how the product has been advertised. (Gummesson, 2008, p. 130)

- R14: *The non-commercial relationship.* A normal commercial relationship is when the customer buys and consumes the product from the same company. In a non-commercial relationship, the customer may get a product or a service but may not pay for them directly. Most of the non-commercial companies are in in the public sector, for example public healthcare. A customer can get a doctor appointment which may be considered free but is actually paid through taxes. (Gummesson, 2008, p. 138)

- R15: *The green relationship and corporate social responsibility (CSR).* A company can go green to protect the environment. It is a part of the company’s social responsibility. This can be a way to cut emissions and attract customers by creating a better image for the company. It can be used for profit and for good cause at the same time. This requires the company to have good relationship with a network of stakeholders in order to go green and promote it by marketing and public events. (Gummesson, 2008, p. 143)

- R16: *The law-based relationship.* Companies have their law-based relationships with their lawyers and court will handle the legal cases coming from customers. They act as middlemen between a company and the customer. Layers are also used to ensure that the company are operating in a legal environment and are selling their products right. In a legal case the company's relationship with its customer is indirect. (Gummesson, 2008, p. 156)

- R17: *The criminal network.* Any company with illegal actions has a criminal network with other parties involved. (Gummesson, 2008, p. 161)

2.1.2.3 Mega relationships (R18-R23)

The classic and special market relationships are focused on different relationships with stakeholders that operate in the marker such as customers and suppliers. Mega relationships will take it to a second layer of relationships which is generally the society.

- R18: *Personal and social networks.* An individual can have a large network of relationships that affect the behavior. These networks could be friends, family, and schools. This individual can be a CEO of a company that can benefit from these networks by having other CEOs as friends to make better deals with. (Gummesson, 2008, p. 173)

- R19: *Mega marketing – the real 'customer' is not always found in the marketplace.* Mega marketing is something way above the basic marketing that is usually done by the marketing and sales. It is marketing on a mega level that include relationships politicians and other high-level influencers. It is mostly the top management of the company that are involved in the mega marketing. (Gummesson, 2008, p. 183)

- R20: *Alliances change the market mechanisms.* Sometimes competitors need to create alliances with each other in order to succeed. Alliances can be created with local competition when expanding to a new country for example. This could help with manufacturing in that country or to use the ally company's sales network in order to sell much easier. Collaboration can be done with suppliers and competitors. (Gummesson, 2008, p. 184)

- R21: *The knowledge relationship.* In this era, companies rely heavily on knowledge and information in order to succeed. It could even be argued that this is the age of information. In order for a company to create or market a product it needs knowledge. Knowledge could be anything from how the company develops its products to information about their customers that helps the company market more effectively. (Gummesson, 2008, p. 188)

- R22: *Mega alliances change the basic conditions for marketing.* Mega alliances are alliances between parties that are beyond an individual company or market. Example of this could be the European Union. (Gummesson, 2008, p. 194)

- R23: *The mass media relationship.* The media influences people and their opinion about something. It can do damage by giving a bad reputation to a company if the company has a bad incident. Managing a relationship with the media is important for the company to protect its image. To manage this relationship the company must create the public relations channel, known as PR. (Gummesson, 2008, p. 199) With PR the company can give a positive information about itself through news and speeches. PR is usually a department in a company, or hired as a service (Pranashree, 2019).

2.1.2.4 Nano relationships (R24-R30)

Mega relationships went through the relationships that were categorized above the market relationships. Nano relationships in the other hand, will take it a step below the market relationship and focuses on the relationships inside the company.

- R24: *Market mechanisms are brought inside the company.* The company can aim for marketing equilibrium within the company itself. Normally companies are planned economies where they have their own different goals and strategies. Planned economies have their own downsides which are known to be challenges with growth and productivity for example. When market mechanisms are introduced within a company, it is done by creating profit centers which creates its own internal market. (Gummesson, 2008, p. 209)

- R25: *Internal customer relationships.* It is vital for the departments inside the company to communicate with each other in order to function properly and produce products that can be sold. These can be seen as relationships within the company as internal customers and suppliers. (Gummesson, 2008, p. 214)

- R26: *Quality and customer orientation – the relationship between operations management and marketing.* In order to produce quality product or service, there must be a renovation done within the company. Everything from management systems and strategies to goals and missions must support the focus on quality. This needs a big change in how the company is led and probably a change in the style of leadership. (Gummesson, 2008, p. 214)

- R27: *Internal marketing – relationships with the 'employee market'.* Internal marketing is mainly focused on the people within the company, the workers. The goal here is to create or strengthen the relationships between the employees, top management and other departments and functions. The employees within the company can be seen as internal market. The traditional way of internal marketing by such as providing internal magazines or flyers is not enough anymore. The marketing must have an influence on the workers and thus needs to be interactive. This can be done through regular kick-offs. This shapes the mentality and the attitude of the workers and promotes company's culture. The main idea of internal marketing is to prepare the personnel for the external marketing, in order for them to handle the encounter with the customers confidently and successfully. (Gummesson, 2008, p. 225)

- R28: *The two-dimensional matrix relationship.* A basic hierarchical organization is a one-dimensional structure. It is often not the best way to structure a bigger company because it is not the best one performance wise. The matrix organization is a two-dimensional structure that tries to take step away from the strict structure of the hierarchical organization. Matrices form the relationships between departments, product management and sales. (Gummesson, 2008, p. 231)

- R29: *The relationship to external providers of marketing service.* Some of the company's marketing operations is not done internally but outsourced through external service providers. This was introduced in R4 as FTMs and PTMs. In this case, the external service provider for the marketing department is seen as FTM. As seen from the relationship perspective, the external service providers will become part of the company without officially belonging to the company. If the company's relationship is close with the external provider, the provider might even get their own office at the company's buildings. In order for the external provider to understand the real needs of the company, the relationship between them must be based on interactive encounters and not just on given orders. (Gummesson, 2008, p. 236)

- R30: *The owner and financier relationship.* Owners and financers of the company can have an impact on the company's marketing and its success. Having a good relationship with the owners creates a healthy environment in the company and allows to create long term relationships with the customers and other stakeholders. It is often talked about the importance of the owners of the company regarding the financing side, and the importance on the marketing side is often less talked about. It is important for the company to select the correct owners that will add value to the company, and it is equally important for the management to see them as partners. (Gummesson, 2008, p. 241)

2.1.3 What does the company benefit from relationship marketing?

A person that is a customer of a company that is applying RM in their marketing strategy, will be more satisfied. The customers will receive a service that will fit their needs and will provide them with a fantastic experience. Customers will be heard and recognized by the company. They can give feedback or complain through any channel and can expect to get a response, for example on social media. In addition, loyalty programs that the company provides will benefit the longtime customers and will highly encourage them to stay loyal.

The rewards received from loyalty programs are not just any basic rewards, but much more personalized rewards that will astonish the customer. (Cross, 2018) Providing personalized service will furthermore make the customers feel that they are receiving special care, for example when dealing with the company's customer service (Microsoft 365 Team, 2019). When the customers receive the services and the care that they value and appreciate, there is no need for them to change service providers. Small conflicts can be solved in good spirit as each party have the respect for each other that is based on a healthy and long-term relationship.

Trying to acquire long-term loyal customers can be said to be the top priority of a company and the driver for achieving financial success in terms of long-term thinking. Having a base of loyal customers will bring many benefits. They will generate higher number of sales, have low amount of cost to maintenance, will give free promotion by word of mouth, and are willing to pay a higher price for the premium. This will give the company the edge on the competition by having a higher competitiveness and satisfied customers. (Alrubaiee & Al-Nazer, 2010, p. 155)

If customers are satisfied, they will be more inclined to pay extra than customers that are not satisfied or that have a neutral relationship with the company. Satisfied customers will value the relationship between the supplier and the product more and the price will be a secondary thing. There could be an emotional relationship between the customer and the brand or the company, and they tend to associate themselves with these, or feel that they are part of the community. The customers might even develop relationships with other customers that will create an even stronger bonds with the company. In this situation the customer is not bothered if the product is priced higher and will happily pay the premium price. (Kumar et al., 2003, pp. 672–673)

Customers that are satisfied with a strongly built relationship are cheaper to maintain and serve. This is due to the fact that these customers are usually thoughtful. They are more aware of the services they are getting and will not need to be taught on how to use them. This leads into fewer demands from the customers and will correlate into low cost of serving for the company. In an example of two customers that are having a problem with their internet connection, the one with a higher relationship will be less likely to call the support instantly and will try to fix the issue himself/herself and will call only if there is nothing else to be done anymore. The one with a lower relationship to the company will be more likely to call right away. (Kumar et al., 2003, p. 673)

Word of mouth is one of the powerful marketing advantages that the company could have, assuming the word spread is positive. Satisfied customers will serve as external PTMs as mentioned in R4 and will spread positive words to their friends and family. This will positively influence other people's behavior towards the company. In other words, it is a way for the company to get free advertisement and new customers without having to spend money on acquisition. The possibility for customers to advertise will mostly depend on the relationship that they have with the company, the stronger their relationship is with the company the more likely they are willing to advertise for them. The word of mouth can appear in many forms such as wearing shirt with the company's logo on it. (Kumar et al., 2003, p. 673) According to research, 92% of people will trust the word of mouth of their friends and relatives more than the company's advertisements and will be more likely to be influenced by it (Nielsen Holdings, 2012).

In summary, a customer that has a good relationship with the company will behave as described above. This behavior brings profit to the company, which means the longer the person with a high relationship stays as a customer, the more profit the company will make out of it. (Kumar et al., 2003, p. 673)

2.1.4 The history of relationship marketing

According to the literature, relationship marketing started to take off in mid 1980s. It started to grow rapidly due to its emphasis on strategies that helped with customer retention. From here onward a paradigm shift in marketing happened. The focus started to shift from the traditional transactional marketing to relationship marketing, which became the most used technique amongst companies. (Wahab, 2010, p. 90) A research from Palmatier (2008) says that relationship marketing are just the same practices that were used prior to the industrial age. It argues that building strong relationships and utilizing them to exchange goods were the norm for all history. In pre-industrial age, the majority of the trades were done in nearby marketplaces where the producers of the goods used to sell their items straight to the buyers that also happened to be the end-users. At that time there were no separate manufacturers and retailers, but instead it was the same person who was responsible for these two operations. This person needed to create trust and build relationships with the buyers in order to make sales. Relationship marketing as a term is relatively new but the concept of it is very old. (Palmatier, 2008, p. 8)

The evolution of relationship marketing as a technique has changed a lot and taken different forms during the years. In the beginning of 1900's, companies had the capability to customize their offers to better suit their customers and to treat them as individuals. Companies main focus back then was to emphasize on consumer marketing. Then fast forward in time after the world wars, relationship marketing started to take a new direction as the companies started to think about ways on how to stand out from the competition. As the result, this shifted the concentration on product differentiation. In 1950s strategies shifted again due to new communication channels that started to become more available. Companies started to emphasize more on customer acquisition and started to develop new strategies. In the 80s the direction shifted onto providing better and quality service to increase customer satisfaction and retention, due to direct marketing becoming increasingly popular. This was possible because of information technology starting to become a thing and customers' needs could be personalized. Starting from the 2000s, companies started to be able to highly target their customers and develop truly customized offers thanks to the new means of communication that made this possible, such as the increasing popularity of the internet. (Wahab, 2010, p. 90)

2.2 Finland's telecom industry

By the year 1995 Finland had become the leading country in the EU in terms of telecommunications. Finland's telecom industry was developing rapidly between the 1980s and 1990s and liberalization of the industry created new ground rules. At the beginning there were some disagreements between some parties such as Finnish Post office about the new legislation for the telecom market to be free for any company to enter and demanded the government to go through the legislation again. Basically, the opinions of the parties were divided into two sections, some wanted the telecom industry to be a state monopoly, and others wanted it to be an open market. In the year 1987 the decision was made and the legislation that came into force, revolutionized the telecom industry in Finland by making the industry free for anyone to enter. Finland was the first country in Europe to open its telecom industry for competition. (Mattila, 2017, p. 188)

There was a significant step in the mid-1990s when the market of Internet Service Providers (ISPs) and through them the WWW-services started. In the year 1994 the government owned Tele launched the first Finnish WWW-service. Starting from the year 1995, new innovations that were based on digital technology have influenced the development of operators’ services. Investing in these innovations, the operators have managed to create a foundation for the digital services and the whole infrastructure, on which Finland’s whole digitalization society is built upon. (Mattila, 2017, p. 189)

In the late 1990s, mobile phones and mobile services started to grow and got off to a rapid start in Finland. The mobile technology came to consumers in 1995 and back then the number of mobile subscriptions in Finland were 269 000. The amount of subscription kept on growing and by the end of 1998 there were 3 million mobile phone devices and active subscriptions. The mobile subscriptions crossed over the traditional analog landline subscriptions. This number of subscriptions meant that 57 percent of the Finnish population had a mobile subscription, which was the highest in the whole world. (Mattila, 2017, pp. 193–194)

There were many companies operating as service providers in the industry. After the bursting of the internet bubble and starting of the licencing process of 3G technology pruned out most of the providers. Most of the companies went bankrupt and in the early 2000s, there were only three active teleoperators in Finland left, which were Elisa, TeliaSonera (now known as Telia) and DNA. The competition between the operators got really tough in 2003 when a new legislation came into force. The law allowed customers to switch operators and keep their phone number. Now since switching operators became easy, customers started to look for new and cheaper offers from the other providers. The competition between operators has been tight till this day because of the ongoing price wars. (Mattila, 2017, p. 196)

Now when comparing the statistics between Finland and the other EU countries in 2014, Finland had the cheapest mobile broadband subscriptions than any of the other countries. The average speed of the subscription was the second fastest and the average usage per user was the highest amongst the countries. The overall pricing of Finnish telecom operators was significantly lower than when compared to the other countries. On top of the subscriptions being the cheapest, the usage was unlimited too, unlike in the other countries where the usage was limited. This allowed the customers to freely use data without any worries and enabled them to share the internet between their devices. Even the fixed broadband connections, based on their speed and pricing, were the sixth or third cheapest amongst the other countries. Finland has built the excellent conditions for digitalization and for its society's competitiveness to flourish. (Mattila, 2017, pp. 202–203)

2.3 Customer churn

The term customer churn means the loss of a customer. Sometimes it is referred as the customer attrition rate. It is one of the most important metrics for a company to measure its success or its failure. The churn rate can be measured by dividing the number of lost customers by the initial number of customers during a time frame (Salesforce, n.d.). The lower the customer churn rate the better it means for a company. Customer churn is a large problem for companies working in an industry with vast amount of competition. The world of rapidly increasing technology makes this issue even more challenging because of the diverse amount of marketing channels that competitors can use to fight for the customers attention.

2.3.1 Customer churn situation in telecommunication industry

Telecommunication has become the telecom providers most used communication method in the last few decades. Because of this, the telecom industry has become very saturated, especially in developed countries. This means that each company is fighting to win new customers from their competitors. Customer acquisition has been made easy by the Finnish government by providing laws that allow the customers to transfer their existing subscription to other providers. The easiness of switching service providers has led into market saturation. Because the acquisition of a new customer is many times more expensive than keeping an existing customer, the companies are now focusing more on customer retention. (Richter, Yom-Tov, & Slonim, 2010, p. 732)

2.3.2 Current solutions for preventing customer churn

According to previous research, there are mainly two ways of dealing with customer churn amongst the telecom operators: untargeted and targeted approaches. The method of untargeted approach works in such way that provides an exceptional product and service in order to gain the loyalty of customers and increase the retention time. The targeted method tries to identify and predict the customers that are more likely to switch service provider and try to contact them in order to provide them a new offer. (Khan et al., 2010, p. 8)

Going more deeply into the targeted method, there are two ways of doing it. One way is to wait for the customers to be in touch to terminate their subscription and at that moment give them a new offer to make them stay, this is called a reactive approach. (Khan et al., 2010, p. 8) The writer has worked in Finland's telecom industry for seven years and based on his experience, he can tell that the churn situation here is not easy. The operators make it difficult for themselves and the biggest reason is that they offer their lowest prices only for their new customers. The older customers do not benefit from a longer relationship and instead will only suffer by paying a higher price for their services. This encourages people to switch providers every time their offer ends in order to have the lowest prices. The price for a new customer could be 5-20 euros per month cheaper depending on the service. This is a lot considering that the customers usually have multiple services. Longtime customers cannot get the same prices as the new customers, even if they asked for it or threatened to switch providers. What makes things worse is that when the customer has made the decision to switch to another provider and made a new contract with them, their current provider will then provide them with a Winback offer. Winback offer means that if the customers cancel their transfer and stay, they will receive an offer that is even lower than what the new customers get. This does not make any sense in terms of customer satisfaction or loyalty and the companies only harm themselves by doing so. Customers usually know about Winback offers and wonder why they have to first go through transferring their subscriptions to another provider in order to get the offer. This decreases customer satisfaction by a lot and makes the customer go through a lot of trouble just to get a lower price.

The second way is to identify or predict the kind of customers that have the risk of leaving the company, which is called the proactive approach. It is the main area of focus in this research when prediction strategies are discussed. The proactive approach is one of the most powerful methods for preventing churn, if done right. Advantages of the proactive approach is that the provider is able to predict churning customer at an early stage and provide them with incentives that do not cost very much. In order for the prediction system to work, it must be very accurate in predicting these kinds of customers. Otherwise, if the wrong customers are predicted, the provider will just lose money on incentives, because they are provided to the customers that were not churning anyway. (Khan et al., 2010, p. 8) In worst cases, contacting the wrong customers might activate them to start looking for alternative or cheaper offers. The commonly used prediction strategy in the telecom industry is to predict customers individually and determine their probability of churning in the future. This is done by identifying changes in their behavior pattern and it usually gives a forecast of one to three months. With this strategy, large amount of different key performance indicators (KPI's) has to be generated and assigned for each customer in order for this method to work. For example, customer's call activity could be one of the KPI's. This data is then fed to into a machine learning model and used with different tools and algorithms such as logistic regression or decision tree models to predict the outcome. The model will then do the calculations and come up with a churn score for each customer. The downside of this method is that it still depends on the changes in customer's behavior pattern and can alone fail in many scenarios. For example, it cannot detect a customer who has simply found a better deal and immediately switches providers. (Richter et al., 2010, p. 732–733) This is where RM comes into play in order to pre-empt churners in the first place.

3 Research methodology

This research was conducted using a secondary research method which was derived from existing data, in this case previous studies and research. This method was used because it was the second-best method available to answer the given research questions and provided a decent amount of existing studies on the topic. Primary data would have been the best method for data collection in terms of accuracy but getting access to that kind of data regarding this topic is difficult. The reason is that this particular data is usually classified by the telecom operators and publishing this it could risk their competitiveness. Secondary data was gathered form the Internet using Google Scholar to find academic studies and research. The data included surveys and experiments in the telecom industry conducted by other research.

The analysis method used for the gathered data was content analysis for analysing literature, texts, and surveys. In addition, meta-analysis was used for analysing the results of a large collection of studies and research. These analysis methods were used to find repeating trends or methods in order to answer the research questions. Finally, the gathered data was used to draw a conclusion.

4 Analysis

Existing studies and literature about predicting customer churn mainly focused on the different prediction methods but did not provide any information or methods on how to prevent those identified customers from churning once identified. On the other hand, studies and literature about relationship marketing only focused on how to keep the customer happy and build longer and stronger relationships. They did not provide sufficient information on how to predict or identify customers that were at the risk of churning and prioritize them first in their RM strategies.

As the aim for this research was to answer the two research questions “What strategies can be used to predict churning customers?” and “How is relationship marketing used to prevent customer churn?” the writer has answered these two questions by combining them and delivered a comprehensive set of strategies and methods on how to predict and prevent customer churn. Companies can implement these methods in their current strategies for increased customer retention times.

The discussion is divided into two sections. The first section discusses strategies for predicting churn. The second section discusses strategies to pre-empt and prevent churning customers.

4.1 Predicting churning customers

Predicting churning customers before they leave and retaining them will make a huge difference in succeeding or failing. Keeping the old high value customers is cheaper than acquiring a new one. There are different techniques and strategies to identify churning customers and prevent them from leaving which this chapter will go through. These strategies consist of prediction models and focusing on loyal customer and their real needs and value perception.

4.1.1 Focus on customer perceptions

According to Molapo, and Mukwada (2011, p. 53), service providers should be focusing on providing services that are based on customer perceptions and not on what is thought to satisfy customers. This was proven to correlate with high customer loyalty. Molapo et al. (2011, p. 54) also mentioned a study made on two telecom companies. The first company focused on customer retention on an individual level and used programs that provided their customers with tailored incentives. The other company focused on customer acquisition and on developing their cellular infrastructure and used to track their customers satisfaction level with periodical surveys. The biggest finding of the study was that the first company that focused on the customer at the individual level outperformed the other company in customer retention.

According to Molapo et al. (2011, p. 58), not every incentive is seen as beneficial by the customers. In their research, people were asked about the value they get from different incentives and from most of them, customers did not perceive any benefits. Therefore, it is important to implement a strategy that finds out what the customers really benefit from and see value in, instead of just giving out incentives thinking they will satisfy the customers. The key here is understanding the customer and that every customer has their own needs. If the company is already giving out incentives, their effectiveness must be determined by asking the customers through feedbacks. Ineffective benefits can be then changed to something else that the customers value and thus help in customer retention. Giving out ineffective benefits will also create unnecessary additional costs for the company.

4.1.2 Focusing on the loyal customers

Focusing on the loyal customers is considered one of the best ways to predict churning customers. Strategies consist of going through customers that have been with the provider for a long time and checking their activity with the service provider in recent times. If there is a decrease in the usage of the service or in the number of contacts with the service provider, there might be an indication that the customer might be considering switching to a new service provider. It might be a good idea to contact these customers and check if everything is good and if they need assistance with something. Frequently keeping in touch with long-term loyal customers will help in saving those that are at risk of switching providers. This is considered as a proactive approach, which is always better than waiting for the customer to declare the termination of their subscriptions. (Becker, 2019)

Another strategy is to regularly ask the long-term customers for feedback about the current services, in order to find out how services could be improved. Loyal customers usually will be more than happy to give feedback and will let their provider know if there is something wrong with the service or if there could be some improvements done. By doing this regularly, it is then possible to recognize and predict upcoming trends and take actions in a form of product improvements or new services, in order to stay at the top of the competition. (Becker, 2019)

4.1.3 Using predictive models

There are several machine learning techniques used to predict churning customers. Some of the most popular techniques are Logistic Regression, Decision Tree, XGBoost and Random Forest. In order to utilize these prediction models, they must be fed data in order for the techniques to generate a churn score. This data could be gathered by data mining. The process of data mining is to take the big data that the operator collects from its customers such as billing information, calling minutes, number of messages and use them as inputs (features) that the model can utilize in the predictions. (Jain, 2021) These models work by identifying changes in customer behavior pattern and giving each customer a churn score. Previous studies have shown that churners can be predicted with high accuracy using machine learning. Machine learning models can be implemented using various tools and methods. The most popular method is using Python programming language with specific libraries that are meant for data analysis and predictions. These libraries are for example Scikit-learn, Pandas, and NumPy. (Ghaffari et al., 2021, p. 25)

4.2 Methods for pre-empting and preventing churn

Customer loyalty has a direct correlation with churn rates. So, by having a solid customer relationship management strategy, the average lifetime of a customer can be highly increased. According to research, the cost of switching service providers is often seen as a big factor in terms of things that affect customer loyalty. While this seems to be true in poorer or developing countries, however in developed and wealthier countries, like Finland, switching costs are not apparent to have an impact on customer loyalty. Customer satisfaction and trust have a high correlation with customer loyalty. In order to gain the customers' trust and satisfaction, a service provider must build a good brand image by high service quality, good value offers and fair pricing of their services. (Zhang, & Feng, 2009, p. 42)

Each of the topics in the following sections have a positive correlation on customer loyalty according to Nakhleh (2012). Loyal customers have a significantly lower probability to churn than non-loyal customers. Loyal customers have stronger commitment to the brand and are more likely to purchase even more than non-loyal customer. Even when receiving a cheaper offer from another provider will be less likely to make them switch providers. Loyal customers can be seen as the most important customers and assets for the service provider. (Zhang et al., 2009, p. 20)

4.2.1 Service quality

Service is something that is not tangible and is usually consumed at the same time when produced. It does not include ownership and cannot be kept in stock. In a case of service provider, it must provide their customer with the service they need and want. Service is a process that includes interactions and relationships between the customer and the service provider. (Nakhleh, 2012)

When the customer interacts with their service provider, the quality of the service is perceived at this moment by the customer. The quality of the service is measured by the customer on how well the service met their expectation. Satisfaction can be achieved when the customer gets a better service than what was expected. By providing a quality service, it will also increase customer’s trust and would make them feel that the service will be good in the future. Telecommunication industry is a service industry and that will put an emphasis on the service quality. Nakhleh (2012) Here R1 and R2 from RM relationships can be utilized. R1 is to provide as many channels as possible for the customer to get serviced. Omni channels are the preferred way of providing channels. With this the customers can start their service on the phone and can finish seamlessly at the physical store. By providing a better service for the same price, it would allow the provider not to go for a price war with the competition, allowing them to differentiate, which is a more sustainable way as R2 recommends. The technology is evolving and nowadays the Internet is in everyone’s pocket, so it is also equally important to also focus on R12 and provide e-service channels on the Internet. Focus on R12, to make the service encounters best as possible will increase the perceived quality by the customers.

Providing goods and services faster to customers, would also increase the quality of the service perceived. The provider should look into R3 and build a strong network of partnerships with delivery companies and manufacturers. R25 should also be taken into account and creating a strong internal communication between the departments is equally important.

Making use of R8, a close relationship with the customer adds value. Asking feedback from the customer is key to get an understanding about how they felt about the service and act accordingly. This can be done during the interaction or after the interaction, for example via a feedback SMS message, getting first class feedback. This helps to understand the customer better and allows the provider to provide what the customer needs or wants. Utilizing the R21 relationship, the provider should gather all the information it can about their customers, this helps with the marketing and product development.

If the quality of service is poor or the company mission, goals and strategies are not focused on quality, R26 must be utilized. The company needs to make drastic changes in how the company is led.

The company's brand image is what the customers think or feel when they hear the brand's name or see their logo. It is basically the perception on how the company and its products are seen in the market, which is a mental perception formed in customer's mind. (Nakhleh, 2012) Brand image is a vital driving force for companies that work in the service industry. Company's brand image consists of all the different steps in the process of branding and brand messaging, which then are combined into a one brand image in the customer's mind. The relationship over time between the customer and the brand will form the brand image of the company. As seen from the RM perspective, it is equally important to have a good relationship between the company and its customers than it is with the company's brand and the consumers. The development of the brands image is dependent on the many contacts that the customers experience with the brand. These experiences could be for example word of mouth from other people, the company's public reputation, the way the company communicates online, etc. A positive brand image will make the company's life easier in many ways. It is then equally important to watch out for a bad brand image because there would still be the challenge of the word of mouth, but not in a positive manner. It is also easier to attract new customers with a good brand image. (Zhang et al., 2009, p. 13)

Companies nowadays need to attract all kind of customers and they can do it by utilizing R15 and being socially responsible for example. Going green is a good way to protect the environment and to attract customers, creating a better brand image and more profit at the same time. Brand image could also affect the way customers will feel or behave when they buy or use the services, as in R13 was mentioned. It could make them feel like they are part of the company and could potentially start advertising it for others using word of mouth and work as PTM's as said in R4. Customers might be proud users of the services and would like to show it. The brand image must be excellent in order to get positive PTM advertisements, otherwise the company cannot decide directly what the customers will say about them, it can only influence it through their actions. Not going against the competition but partnering up instead is a good move for the brand image. As said on R20, collaborations can be done with different supplies and competitors.

The mass media is a big player in influencing people and their opinion. As in R23 was said, media can do big damage by giving a bad reputation and ruining the brand image of the company. Managing and having a good relationship with the media is important for protecting the image. It is highly important for the company to implement a PR channel, giving positive information about the company itself.

4.2.2 Value offered

Customers measure their value by comparing the benefits of the used service against its cost. Providing an excellent value for the price will keep the customer satisfied and increases their retention time. By implementing strategies that add value which increases perceived benefits by the customers, will stimulate them to make new purchases, which will therefore make them stay with the provider. If the provider satisfies its customers with their value expectations, it will give the customers a feeling of security and credibility which will have a positive impact on their loyalty. However, it is important for the provider to see things from their customer's perspective, because providing them with random benefits might not add more value. This will help in providing customers with new benefits that are perceived as important and beneficial by them. (Zhang et al., 2009, pp. 14−15)

In the telecommunication sector, customers must be provided with something valuable. This could be rewards and promotional offers (Zhang et al., 2009, p. 15) R11 suggests turning customers into members of the company with something like memberships. Members can be offered better discounts form the services and can receive a more tailored and targeted offers. For example, long-term customers can be turned into members or important customers, that will be given offers that the new customers cannot receive. This will eliminate the problems with the current market that is providing the best offers only for the new customers and the long-term customers are paying a higher price. This will increase the value perceived by the customers over time and encourages customers to go for a long-term relationship to earn the best benefits and offers instead of switching service providers for the best deals. Long-term customers can be sold more services in order to increase revenue and profits instead of increasing prices of their services. It is still important to understand the customers and know what kind of benefits and incentives they value. Providing these benefits on an individual level will greatly improve customers value perceived.

4.2.3 Customer trust

Having the customer's trust is seen as a critical thing in building a successful long-term relationship. When customers trust their service provider, they believe that even when the environment and services are changing, the provider will always have their customers interests in their mind and will not try to harm the relationship in any way. Trust is one of the most important aspect in boosting customers loyalty. Customers purchasing behavior is usually based on their previous experiences with the company and their service encounters. It is important for the company to invest in their service encounters with the customer. (Zhang et al., 2009, p. 17)

As said in R5, the interaction between the customer and the supplier refers to all interactions that happen between these two parties. In order to provide excellent service encounters every time across the different channels, the company needs to invest in training their employees to always put the customer in focus. Customers must always get the same level of service no matter of the channel they are communicating through, for example over the telephone or at the store. As said in R28, using two-dimensional matrix structure in the organization instead of a strict hierarchical structure, gives more leverage to the employee and empowers them to make more independent decisions during the service encounter with the customer. This allows the workers to provide more personalized service and solve problem situations quicker, instead of following rigid rules of a big company. Teaching the employees to always go the extra mile to gain the customers trust should be part of the company's internal marketing and culture as said in R27. An example from the writer's experience in the telecom customer service is that when a difficult situation comes, going the extra mile to have it solved, will always make the customer happy and build his/her trust more, even if the mistake was originally from the company side.

4.2.4 Customer satisfaction

Customer satisfaction segment gets usually the most attention from different literatures and research. The satisfaction of a customer is usually an outcome of a product or a service that satisfies the customer's needs. In today's world, the service industry is a highly competitive industry, and the customers need to be kept satisfied to prevent them from switching providers. Literature about relationship marketing sees customer satisfaction as one of the most important KPI's that gives the information about the quality of the relationship between the parties. Customers evaluate their satisfaction by weighing the benefits they are getting from the services against the costs of the relationship with the service provider. By providing the customers with more satisfying experiences, helps increase their overall satisfaction. This has a direct correlation on their likelihood of wanting to stay longer in the relationship. (Zhang et al., 2009, p. 18)

As said in R6 and R18, the customer is usually a network of people which consists of friends, family and relatives. Each of those have a high influence on the decisions that the customer makes and affect their behavior. And to remember that the unsatisfied customer will spread bad advertisement to 10-20 people in comparison to a satisfied customer that only advertises to 5 people. As said in R9, this is one of the most important reasons to keep the customer satisfied, because the unsatisfied customer will have an amplified effect, negatively affecting their whole network and bad reputation will spread like wildfire. R9 also talks about how the dissatisfied customer needs to be dealt with, that is by trying not to just settle the dissatisfaction, but also trying to restore the long-term relationship with generosity, honesty, but realistically. Sometimes it is good to ask the customers how they want the problem to be handled and what kind of compensation would they like to have and trying to find common ground from there. The staff must be trained to be emphatic and must be given enough empowerment to make their own decisions, thus speeding up the whole process of handling the dissatisfied customer. It is important to remember that a single bad experience that is handled well and quickly, will keep the customer satisfied. Being pro-active and constantly asking the customers for feedback is an important task in understanding the customer and their level of satisfaction, instead of waiting of the customers to complain. Even if the provider has the best services, if the customer does not feel satisfied or appreciated, they will leave.

The aim of the company should be to do things right in the first place and prevent the dissatisfaction, but nothing in this world is perfect and mistakes always happens. Therefore, the root cause of every dissatisfied customer and mistake must be analyzed and then improved.

5 Conclusion

This research has demonstrated the different strategies that the companies in the telecom sector could utilize in order to predict and pre-empt churning customers. Looking through the RM glasses, it can be seen that everything is related to relationships and partnerships between different parties. With different relationship marketing tactics in use, it is possible to greatly impact the relationship between the customer and the supplier and have longer and more profitable relationships. The key here is to aim and invest in a long relationship with the existing customers instead of focusing only on customer acquisition. The competition in the telecom industry is very brutal and without keeping and valuing the old customers, the service provider will lose customers faster than it could acquire new ones. On top of using relationship marketing techniques to build long relationships, the company can also use the strategies for predicting churning and unsatisfied customers in order to keep them from leaving. By combining these two strategies the service provider could greatly increase their retention times and customer lifetime value. While other research mainly focused either on relationship marketing or churn prediction, this research was the first to bring the best of both worlds into a single solution. A manager responsible for customer relationships and satisfaction could use this research to support their current strategies.

The most important aspects of relationship marketing are trust, brand image, aiming for a long relationship, customer satisfaction, loyalty, value offered, empathy, collaboration, listening and reacting to customer’s needs. The future researchers can use this study to further investigate and come up with solutions that implement both relationship marketing and different prediction methods into a package. Future research could also develop and come up with new incentive programs to replace the current ones that are mainly used in the telecom sector. This was mainly intended for the consumer market, but could be easily adapted for the B2B segment by utilizing a slightly different palette from the thirty relationships of RM.

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