Proposed Customer Retention Strategy of PT Sonar Analitika Indonesia

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Diterima: 08-12-2022 Direview: 06-02-2022 Disetujui: 09-03-2022

Abstract
In recent years, the software as a service (SaaS) industry has seen tremendous growth due to the increasing demand for cloud-based solutions. This growth has led to intense competition in the market, prompting companies to focus on customer retention and satisfaction. Dataset:sonar, an emerging SaaS company, is no exception to this trend. This final project aims to investigate the current condition of the company in the context of churn rate, customer satisfaction, and loyalty, as well as the key factors contributing to customer churn. Through a combination of qualitative and quantitative research methods, the study found that dataset:sonar is facing challenges in retaining customers due to a churn rate that is above the company's standard. However, the current customer satisfaction level is satisfactory, and the company has opportunities to enhance customer loyalty by focusing on product quality, customer support, and market diversification to mitigate the impact of involuntary customer churn, which accounts for the majority of churn occurrences. The study recommends that dataset:sonar invest in research and development to improve product quality and expand its targeted market, while also providing effective customer support services. These efforts can potentially increase customer retention rates and contribute to the company's long-term success in the competitive SaaS industry.

Keywords: Retention Strategy; Customer Retention; Customer Churn; Customer Satisfaction; Customer Loyalty; SaaS Industry
Introduction

Tech companies are flourishing thanks to the affordable technology in present days. Some of those tech companies are generating revenues by customer subscription such as Netflix, Spotify, Apple TV, Disney Hotstar, HBO Go, and many more. Subscription-based business began to flourish, and thus the Software as a Service (SaaS) business model were born (Blackburn et al., 2019). SaaS business model has become increasingly popular in recent years, with companies offering software applications over the internet, on a subscription basis (Cusumano, 2019). This has allowed people with various background having seamless access to software applications without the need for expensive upfront investments in hardware and infrastructure, and also without the hassle of manual installation that has been found complicated by many not-so-tech-literate user (Attaran & Woods, 2019). SaaS has become a major driver of digital transformation, enabling organizations to access enterprise-level software at a fraction of the cost of traditional software. COVID-19 pandemic contributed significantly to the adaptation for this transformation. From previously on-premise mindset, company has transformed and even pivot their business to SaaS due to its increasing demand (Vanninen & others, 2022).

Subscription-based tech companies have been on the rise, leading to the emergence of the Software as a Service (SaaS), a cloud-based delivery model in which software applications are hosted and managed by a third-party provider and made available to customers over the internet. SaaS has become a popular choice for businesses of all sizes as it allows organizations to access enterprise-level software without the need for expensive in-house IT infrastructure (Gratschev, n.d., 2021). The SaaS industry has grown rapidly over the past decade and is expected to continue its growth trajectory in the coming years. SaaS has revolutionized the way software is delivered and consumed. Prior to the SaaS model, businesses were required to purchase and maintain software on their own servers, which was often a costly and time-consuming process. With SaaS, customers can subscribe to software applications on a monthly or annual basis and access them from anywhere with an internet connection. This has made it easier for businesses to adopt new technology and has allowed them to focus more on their core business operations. SaaS offers a range of benefits for businesses including lower upfront costs, lower IT overhead, and improved scalability. SaaS applications are typically less expensive than traditional software solutions, and because they are hosted and maintained by third-party providers, businesses do not need to invest in expensive hardware or hire IT staff to manage the software. This makes it easier for businesses to get started with new technology and to scale as they grow. Another advantage of SaaS is that it provides customers with access to enterprise-level software that they may not have been able to afford otherwise. This includes applications such as Customer Relationship Management (CRM), Human Resource Management (HRM), Enterprise Resource Planning (ERP), and Media Intelligence. By using SaaS, businesses can access these powerful tools without having to invest in the infrastructure required to run them (Deloitte Switzerland, n.d.).

According to Mangiuc, (2011), The SaaS industry is growing rapidly, with the global market expected to reach $208 billion by 2023. This growth is driven by factors such as the increasing adoption of cloud computing, the growing demand for mobile and web-based applications, and the increasing number of businesses moving away from traditional software delivery models. The SaaS industry is also growing because businesses are realizing the benefits of SaaS and are eager to adopt new technology (FinancialNewsMedia, 2023). In terms of geographic distribution, North America is the largest market for SaaS, followed by Europe and Asia-Pacific. In Asia-Pacific, the SaaS industry is growing rapidly, particularly in countries such as China, India, and Southeast Asia. These markets offer significant growth opportunities for SaaS providers due to the increasing adoption of cloud computing and the growing demand for software applications (Do & Burke, 2022).

South East Asia is a rapidly growing market for SaaS, with a number of factors contributing to its growth. These include a rapidly growing population, increasing internet penetration, and a growing middle class. In addition, the region is home to a number of emerging markets, such as Indonesia and Vietnam, which are becoming increasingly important to the global SaaS industry. According to Statista, the SaaS industry in South East Asia is projected to reach US$2.26 billion, while revenue is expected to show an annual growth rate (CAGR 2023-2027) of 10.73%, resulting in a market volume of US$3.40 billion by 2027. The region is home to a number of major SaaS companies, such as Gojek and Grab, which are leveraging the growth of the SaaS industry to expand their businesses and increase their market share (Statista, 2023).

While this growth has been impressive, it is important to recognize the challenges that businesses face in adopting new technologies and the broader context of the tech industry. SaaS offers numerous benefits, however with such benefits, businesses also face challenges in adopting these new technologies, including concerns around data security, integration with existing systems, and the need for employee
training and support. Many companies are willing to adapt, some are hesitant due to concerns stated above.

Indonesia, as the biggest country in South East Asia, is home to the giant SaaS companies such as Gojek, Tokopedia, Xit, Bukapalak, Zenius, Kredivo, and many others. In the country, it is estimated that the Revenue in the SaaS segment is projected to reach US$409.40 million in 2023. And it also expected to show an annual growth rate (CAGR 2023-2027) of 11.58%, resulting in a market volume of US$634.50 million by 2027 (Musin, 2021).

In conclusion, the SaaS business model has revolutionized the way software is delivered and consumed, offering significant benefits to businesses and driving rapid growth in the industry.

Literature Review

Churn Definition

According to Investopedia, Churn Rate is the frequency with which customers discontinue doing business with a company and causing loss of recurring revenue both monthly and annually. Most frequently, it is expressed as the percentage of revenue loss due to cancelled memberships within a certain time frame.

Customer Satisfaction

The concept of customer retention has been widely studied in the literature, with a particular emphasis on its importance for businesses in maintaining a competitive advantage. In this literature review, we will focus on the key factors that contribute to customer retention, specifically the role of customer satisfaction and the impact of marketing stimuli on purchasing decisions.

Customer Loyalty

The importance of customer loyalty for customer retention has been widely recognized and researched in the field of marketing and customer behavior. Customer loyalty is the tendency of customers to continue doing business with a particular company over a long period of time.

Measuring customer loyalty through metrics like the Net Promoter Score (NPS) can provide valuable insights into the drivers of customer satisfaction and loyalty, and help businesses to improve their customer retention rate.

Strategic Plan

Michael Porter defined strategy as "the creation of a unique and valuable position, involving a different set of activities." He emphasized that a company's success depends on its ability to differentiate itself from competitors and create a sustainable competitive advantage in the market.

Company can create a strategy plan that maximizes their competitiveness and development potential by evaluating the variables driving competition in a certain industry.

Method

Research Design

Data Collection Methods

The gathering of information from diverse sources to address the research questions is known as data collection, which is an essential step in the research process. In this research, author will using external analysis from secondary data such as recent reports on SaaS Industry, and internal analysis from internal company data. To formulate strategies, author uses quantitative and qualitative methodologies to collect information from customers.
Data Analysis Method
Customer Satisfaction Index (CSI) Analysis

![CSI Formula](image)

The CSI result will be defined as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>CSI Value (%)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>81-100</td>
<td>Deeply Satisfied</td>
</tr>
<tr>
<td>2</td>
<td>66-80.99</td>
<td>Satisfied</td>
</tr>
<tr>
<td>3</td>
<td>51-65.99</td>
<td>Neutral</td>
</tr>
<tr>
<td>4</td>
<td>35-50.99</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>5</td>
<td>0-34.99</td>
<td>Deeply Dissatisfied</td>
</tr>
</tbody>
</table>

Importance-performance Analysis (IPA) Analysis
1. Organize the data
Author will create a table or spreadsheet to organize the data. For each attribute, they will list the importance ratings in one column and the performance ratings in another column.

2. Count the responses
Author will count the total number of responses (n) for each attribute. This is the number of customers who provided ratings for the importance and performance of the attribute.

3. Sum the ratings
For each attribute, author will add up all the importance ratings to get the total importance score (ΣI) and all the performance ratings to get the total performance score (ΣP). The performance ratings will be using the scale of 1-6 with details as following (Williams et al., 2014):
- Rating 1: Deeply dissatisfied
- Rating 2: Dissatisfied
- Rating 3 and 4: Neutral
- Rating 5: Satisfied
- Rating 6: Deeply satisfied
The importance ratings will be using the scale of 1-6 with details as following:
- Rating 1: Most Important
- Rating 2: Important
- Rating 3 and 4: Neutral/not sure/nice to have
- Rating 5: Not so Important
- Rating 6: Least Important

4. Calculate the mean scores
To find the mean importance score for each attribute, author will divide the total importance score (ΣI) by the total number of responses (n). Similarly, to find the mean performance score for each attribute, author will divide the total performance score (ΣP) by the total number of responses (n). Mathematically, the formulas look like this (Ringle & Sarstedt, 2016):
- Mean Importance Score = ΣI / n
- Mean Performance Score = ΣP / n

5. Record the mean scores
Author will write down the mean importance and performance scores for each attribute on spreadsheet. These scores will be used to plot the attributes on the Importance-performance Analysis grid. Author can gain a better understanding of how customers perceive the importance of each attribute and the performance of the product in delivering those attributes by calculating the mean scores. This data will aid the author's strategy to improve customer satisfaction and ultimately, retention.
Net Promoter Score (NPS) Analysis

The quantitative data analysis method for this research will primarily involve the use of NPS score. As previously mentioned, an online survey will be created using Google Form and the link will be sent to Dataxet:Sonar's customers through email/personal chat. After the data are all gathered, author will use the NPS calculation formula to determine the satisfaction level of the customers. The sample will be all of the existing customers of dataxet:sonar. Currently, there are 52 customers that is actively subscribing to dataxet:sonar’s product and services.

In-depth Interview Analysis

To conduct this, author will gather the data with purposive sampling to identify the amount of respondents. Purposive sampling is a non-probabilistic sampling method that involves the deliberate selection of a specific sample from a population based on specific criteria or characteristics (Rai & Thapa, 2015). The key characteristic of purposive sampling is that the researcher decides on the criteria for selecting participants, and they are selected based on these criteria, which are often unique to each research study. In the context of this research, author will choose one respondent from each group that consists of:
1. One respondent whose NPS score is Promoter (9-10) with subscription period is minimum 1 year
2. One respondent whose NPS score is Detractors (1-6) with subscription period is minimum 1 year
3. Three respondents who is churned not more than three months ago with subscription period is minimum 1 year

Therefore, author will choose three respondents with the criteria above. The interviews will be conducted either face-to-face, or online with various online meeting services (Gmeet, Zoom, FaceTime, or WhatsApp call). The result will be transcribed, and later on analyzed with Thematic Analysis.

Result and Discussion

Summary of the Quantitative Analysis

To summarize the quantitative analysis result, author has mapped the result as follows:

a. NPS: 6.45 (Average). The result suggests that the company may not have a high number of extremely loyal customers but also not a high number of disloyal customers

b. CSAT: Based on the CSI value definition, the author determines that 31 customers who has subscribed the platform at least a year have a high level of satisfaction with the product and the customer service, as both aspects are rated as “deeply satisfied.” Furthermore, customers have expressed overall satisfaction with the company's products

c. IPA: The results of the IPA analysis indicate that the quantity data and sentiment analysis accuracy features are performing well, but they are only neutral and thus require improvement to increase customer satisfaction. Channel options received the highest performance score, but it is seen as less important and may be overkill. Auto-generated reports ranked fourth and were also classified as possible overkill, as they are not performing well and are not a core feature. UI/UX came in fifth and was also considered possible overkill, with lower importance and the same level of performance as auto-generated reports. Finally, automated alerts were deemed the least important and had the lowest performance score, also classified as possible overkill.

Summary of the Interviews

To summarize the whole interview in a single picture, author has mapped the cause of satisfaction (Promoter), dissatisfaction (Detractor), and churn as follows:
Business Solution

Author is proposing strategy to increase the customer retention by dividing the strategy into three parts: Product Development, Regular Customer Assessment, and Sales Strategy.

Product Development

Based on the Importance-Performance Analysis (IPA) of our product, we have identified several areas where we can improve and optimize our resources to increase customer satisfaction. To address these issues, we propose the following solutions:

1. **Improve Quantity Data Crawled and Sentiment Analysis Accuracy**
   
   Since these features are aligned with customer expectations but are currently classified as neutral, we need to focus on enhancing these core functionalities. To achieve this, we will (Yang et al., 2021):
   
   a. Invest in advanced data crawling technology to increase the amount of data gathered and ensure its relevancy to customer needs.
   
   b. Enhance our sentiment analysis algorithms by incorporating the latest natural language processing (NLP) techniques and AI models.
   
   c. Continuously monitor and evaluate the performance of these features, collecting customer feedback to ensure consistent improvement.

2. **Reallocate Resources from Overkill Features**
   
   As our IPA indicates that channel options, auto-generated reports, UI/UX, and automated alerts are overkill, we need to reconsider the focus on these areas. We will (Markazi-Moghaddam et al., 2019):
   
   a. Conduct a thorough assessment of the resources allocated to these features and reallocate them to improving quantity data crawled and sentiment analysis accuracy.
   
   b. Analyze customer feedback and usage patterns to understand which aspects of these overkill features can be deprioritized or simplified, without compromising overall product value.

3. **Enhance Customer Communication and Education**
   
   To ensure our customers understand the value of our core features and how to use them effectively, we will (Sun et al., 2022):
   
   a. Develop targeted marketing materials and tutorials that emphasize the importance and benefits of quantity data crawled and sentiment analysis accuracy.
b. Provide regular webinars and workshops to educate customers on the optimal use of these features, as well as share best practices and industry trends.

Regular Customer Assessment
To increase customer retention, it is crucial for the company to regularly assess customer satisfaction and adapt its strategies accordingly. In the Regular Customer Assessment strategy, three key metrics will be employed: Customer Satisfaction Index (CSI), Net Promoter Score (NPS), and Importance-Performance Analysis (IPA) reviews.

1. Customer Satisfaction Index (CSI)
The company will use the CSI to measure overall customer satisfaction with its products and services. This metric helps identify areas where the company excels and those that need improvement. To obtain the CSI, the following steps will be taken (Ilieska, 2013):
   a. Conduct regular customer surveys, capturing feedback on various aspects of the product and support services
   b. Analyze survey results to identify trends and areas that contribute to overall satisfaction or dissatisfaction.
   c. Implement targeted improvements based on CSI insights, monitoring subsequent survey results to assess the effectiveness of the actions taken.

2. Net Promoter Score (NPS)
The NPS is a valuable metric to increase customer loyalty and their likelihood to recommend the product to others. A higher NPS indicates strong customer relationships and a greater likelihood of retention. To leverage NPS, the following steps will be taken (Asgarpour et al., 2013):
   a. Incorporate NPS questions into customer surveys, capturing customers’ likelihood to recommend the product on a scale of 0-10.
   b. Calculate the NPS by subtracting the percentage of detractors (scores 0-6) from the percentage of promoters (scores 9-10).
   c. Identify factors that contribute to high NPS scores and work to enhance these aspects of the product and customer experience. Conversely, address issues that contribute to low NPS scores to reduce detractors.

3. Importance-Performance Analysis (IPA) Reviews
Regular IPA reviews enable a company to evaluate the importance and performance of its product features and identify areas of improvement. To effectively integrate IPA reviews into the customer assessment strategy, the following steps will be taken (Martilla & James, 1977):
   a. Conduct periodic IPA surveys, collecting customer input on the importance and performance of various product features.
   b. Analyze IPA results to identify overkill features, as well as areas where performance improvement is needed to meet customer expectations.
   c. Utilize IPA insights to inform Product Development, ensuring alignment with customer needs and preferences.

By incorporating CSI, NPS, and IPA reviews into the Regular Customer Assessment strategy, the company can effectively monitor and improve customer satisfaction, loyalty, and retention. This data-driven approach enables the company to identify the potential churn customers and continuously adapt its strategies and focus its efforts on meeting and exceeding customer expectations and prevent the churn.

Sales Strategy
Given that a majority of churned customers at dataxet:sonar are agencies, and 70% of existing customers are agencies dependent on their own customer retention, it is essential to modify the sales strategy to focus more on end users. The following proposal outlines a sales strategy emphasizing targeting end users to diversify the customer base and reduce dependency on agencies.

1. Market Segmentation and Targeting
To effectively target end users, the company should first identify and segment the most suitable end user groups based on their needs, industry, and potential use of the product. This will enable a more focused approach to marketing and sales efforts. Steps to be taken include (Weinstein, 2004):
   a. Conduct market research to identify key industries and customer groups that would benefit from the product.
   b. Analyze competitors' strategies and offerings to understand market gaps and opportunities.
   c. Develop specific marketing and sales messages that resonate with each identified end user segment.
2. Market Diversification

To ensure long-term growth and sustainability, the company should expand its market reach by targeting new sectors, with a focus on banking and government. These sectors have specific needs that the company's product can address in terms of issues monitoring, sentiment analysis, crisis management data analysis, and competitor benchmarking. These services and features could provide a valuable opportunity for diversification. Steps to enter these sectors include (Purkayastha et al., 2012):

a. Conduct in-depth research into the banking and government sectors to understand their unique challenges, needs, and regulatory requirements.
b. Adapt the product offerings and features to cater to the specific needs of these sectors, ensuring compliance with relevant regulations and industry standards.
c. Develop marketing and sales materials that highlight the benefits and value proposition of the product for banking and government clients.
d. Utilize personal networks of the leaders to approach the targeted sectors and build a stronger relationship with the decision makers of the targeted sectors.

3. Product Customization and Pricing

Offering tailored solutions and pricing models for end users will make the product more appealing and accessible. To achieve this, the company can (Wang et al., 2020):

a. Develop product variations or packages specifically designed to meet the needs of different end user segments.
b. Offer flexible pricing options, including special tiered subscription plans and usage-based pricing, to cater to a broader range of end users.
c. Provide self-service options or entry-level plans to attract smaller end users or those with limited budgets.
d. Offer flexible payment options for small medium enterprises to be able to purchase the product in a convenient way.

4. Focused Marketing and Advertising Campaigns

Targeted marketing and advertising campaigns aimed at end users will increase awareness and generate interest in the product. The company should (Saura et al., 2020):

a. Utilize digital marketing channels, including social media, email campaigns, and search engine marketing, to reach and engage with end users.
b. Create and share content that highlights the benefits and features of the product relevant to end users, such as case studies, testimonials, and product demonstrations.
c. Attend industry-specific events, conferences, and trade shows to showcase the product to potential end users and build brand recognition.

5. Sales Process and Support Adaptation

To effectively convert end users, the sales process and support structure need to be adapted. The company should (Viio & Grönroos, 2016):

a. Train the sales team to understand the unique needs, challenges, and pain points of end users, enabling them to tailor their sales pitch accordingly.
b. Develop sales materials and presentations that showcase the product's value proposition for end users.
c. Develop an efficient flow of sales cycle to enable the sales quickly jump from one to to another. This way, sales team could reach every potential customers in a faster way.
d. Implement a dedicated customer experience team for end users, providing onboarding assistance, product training, and ongoing support to ensure customer satisfaction and retention.

By shifting the sales strategy to target end users and reduce reliance on agencies, dataxet:sonar can diversify its customer base, minimize the risk associated with agency churn, and build a more sustainable business model.

Implementation Plan

Based on the strategy above, the author proposes the implementation plan as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>2023 (Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Product Improvement for Quantity</td>
<td></td>
</tr>
<tr>
<td>Data Crawled and Sentiment Analysis</td>
<td>Newly Improved Product Live</td>
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<td>-----------------------------------</td>
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The implementation plan is designed to enhance the existing product and its performance in the market. The first priority is to improve the quantity of data crawled and enhance the sentiment analysis feature. This will take four months, after which the newly improved product will be launched. Customer assessments in the form of NPS, CSI, and IPA will be conducted every quarter of the year to understand their feedback and evaluate the effectiveness of the product.

Market segmentation and targeting will be the next focus area for three months, followed by market diversification and product customization and pricing, each for three months. The goal is to diversify the
product offerings and target a wider range of customers with customized pricing models. Once the product offering is diversified, the next step is to execute focused marketing and advertising campaigns for three months. The sales process and support adaptation will also be carried out for three months to provide the necessary support to the sales team. Finally, a new sales strategy will be executed after three months to help achieve the desired sales targets.

Discussion

Recent study conducted by Saputro et al., (2020) titled "The Effect of Customer Relationship Marketing and Service Quality on Customer Retention with Customer Satisfaction as a Mediating Variable in Forwarding Companies in Surabaya," the relationship between customer satisfaction and customer retention was investigated. The study found that the quality of a company's products and services is closely related to customer satisfaction. The study also highlights the significance of good customer relationships in retaining customers and establishing a link between customer satisfaction and retention.

The results of the study by Saputro et al., (2020) imply that customer satisfaction plays a crucial role in retaining customers. It suggests that satisfied customers are more likely to continue doing business with a company, which leads to higher customer retention rates. The study also shows that customers are more likely to stay loyal to a company if they are provided with high-quality products and services. Thus, companies need to focus on improving the quality of their products and services to retain customers.

The study also highlights the importance of building good customer relationships (known as Customer Relationship Marketing) in retaining customers. By establishing a good relationship with customers, companies can increase customer loyalty, which leads to higher customer retention rates. Good customer relationships can be built by providing excellent customer service, maintaining open communication with customers, and addressing their needs and concerns.

Furthermore, the link between customer satisfaction and retention is an important consideration for my study. The findings of Saputro et al., (2020) suggest that customer retention is closely related to the satisfaction level among customers, and I have explored this linkage in the context of dataxet:sonar. By proposing a customer retention strategy that emphasizes customer satisfaction, quality products and services, and good customer relationships, my study can help the company increase its customer retention and achieve sustainable growth. Ultimately, this research incorporated the insights of Saputro et al., (2020) by emphasizing the importance of customer satisfaction, quality products and services, good customer relationships, and the linkage between customer satisfaction and retention.

Simpulan

Dataxet:sonar is facing challenges in retaining customers, with a churn rate above 2%, but still within the acceptable range for the SaaS industry. However, customer satisfaction levels are satisfactory, and the company's efforts in providing quality products and services have been well-received by customers. To maintain and improve these satisfaction levels, it is crucial to monitor customer feedback and adapt to their evolving needs. Although the current customer loyalty level is average, there are opportunities for the company to enhance retention and loyalty by understanding factors contributing to customer loyalty and developing strategies to cultivate stronger relationships with clients.

Key factors contributing to customer churn include product quality, such as speed of data crawling, quantity of data crawled, and sentiment analysis capabilities, as well as customer support services. To address these concerns, dataxet:sonar should invest in research and development to enhance product quality and expand the quantity of data crawled. More over, specialized training and development programs should be offered to customer support staff to resolve issues efficiently and effectively. Diversifying the targeted market by expanding into new industries or geographic regions can also reduce the impact of external factors contributing to involuntary churn.

Referensi


