

Effectiveness of Personalized Marketing Strategies on Customer Retention

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Abstract:

In today's competitive business landscape, the efficacy of personalized marketing strategies in fostering customer retention has become a pivotal area of inquiry. This research paper investigates the impact of personalized marketing on customer retention across various industries, utilizing a mixed-methods approach to gather and analyze data. The study employs quantitative surveys to measure customer satisfaction and retention rates before and after the implementation of personalized marketing tactics, supplemented by qualitative interviews to explore customer perceptions and experiences in-depth. Findings suggest that personalized marketing strategies significantly enhance customer retention by creating tailored experiences that resonate with individual preferences and needs. Moreover, the research identifies key factors influencing the effectiveness of these strategies, including data privacy concerns, technology infrastructure, and the alignment of marketing efforts with customer expectations. The implications of these findings for marketing practitioners underscore the importance of strategic implementation and customization in maximizing the impact of personalized marketing on long-term customer loyalty.

Keywords: Pharmaceutical, Marketing, Customer retention, strategies personalized marketing

INTRODUCTION

In the dynamic landscape of the pharmaceutical industry, where patient-centric approaches increasingly define competitive advantage, the role of personalized marketing strategies in fostering customer retention has garnered significant attention. Personalization in marketing involves tailoring communication, products, and services to individual customer preferences and needs, thereby enhancing engagement and loyalty.

For pharmaceutical companies, this approach holds particular promise as they navigate evolving healthcare trends characterized by heightened patient empowerment and personalized treatment options. Effective personalized marketing not only strengthens relationships between pharmaceutical companies and healthcare providers but also deepens engagement with patients, potentially improving adherence to treatment regimens and long-term health outcomes.

This research aims to investigate the effectiveness of personalized marketing strategies within the pharmaceutical sector, examining how such strategies influence customer retention and loyalty amidst regulatory complexities, ethical considerations, and the evolving landscape of healthcare consumerism. By exploring these dynamics, this study seeks to provide insights into best practices and challenges faced by pharmaceutical marketers in leveraging personalized strategies to maximize customer retention and overall business success.

By leveraging data-driven insights and advanced analytics, pharmaceutical marketers can craft targeted messages, educational materials, and support programs that resonate deeply with healthcare professionals and patients alike. Through a comprehensive analysis, this study seeks to uncover the factors influencing the success of personalized marketing initiatives in fostering long-term relationships and driving business growth amidst the complexities of modern healthcare dynamics.

OBJECTIVE OF STUDY

1. To understand the essence & how customer retention can be initiated effectively in pharma market.
2. To review & provide solutions to changing dynamics of personalized marketing strategies in modern healthcare system.

RESEARCH METHODOLOGY & PROCESS

Customer retention & personalized marketing practices is a theoretical paper which has been formulated with the help of secondary research on the pharmaceutical sector & gathered data from discussions with Industry experts. This paper also reviews the current practices going on for customer retention & providing modern solutions to make retention more effective & profitable.



LITERATURE REVIEW

Customer retention is an important aspect of Pharmaceutical Marketing that entail wide range of scope for generating a profitable product & building companies' image. The paper has been categorized into six sections i.e., What is Customer retention Marketing, Types of Customers in Pharma world, Right Marketing approach, Review of current market practices, Calculating Rate of retention & Modern Solutions to Customer retention marketing strategies.

• WHAT IS CUSTOMER RETENTION MARKETING?

In the growing era of pharmaceutical marketing, today's companies are facing huge competition at various levels i.e. developing a new product, boosting sales of existing product or increasing visibility to gain customer attention. All these scopes of challenges are due to changing mindset of customers & a want to

find the right product after several trials (this mostly resonates to FMCG products). No company can guarantee that their customers are loyal & will be loyal in coming times.

Customer retention is defined as – “organization ability to keep customers buying their product rather than switching to other providers”

Understand it like this, C1 was buying a medicine for Hair growth (E.g. brand X from company A) he used it due to Rx from his Doctor but after using for months he saw no fruitful results. Rather than consulting the Doctor he searched for a better product (Brand Y from Company B) & started using it & was satisfied with the results.

This example case gives a brief idea that company A was not able to retain its customer even via the help of Doctor. This leads to various factors which have to be taken under consideration like:

1. Was the Marketing message of Company A was correct at Doctor level.
2. Was the brand that much effective for required indication
3. What was major difference between Brand X & Brand Y
4. Was the brand information less effective for patient to understand

These speculations can lead to loss of business from Doctor for Company A as he has also lost his patient & was unable to retain him.

Here comes the most important role of having a right customer retention strategy which can be implanted by companies at a wider range & gain maximum profitability.

The right retention is achieved by overcoming barriers to switching, maximizing the value of products and services, meeting customer expectations and enriching the customer experience.

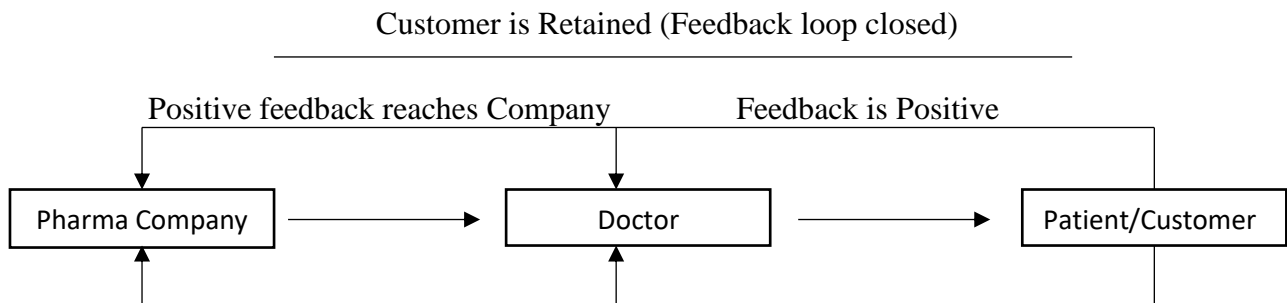
• **Customer retention strategies:**

Formulating a customer retention strategy requires prior homework, to understand the customer’s needs & wants & why does he require a particular feature/service in the product. This gives analytical insight & helps to formulate the right strategy for retention.

Pharmaceutical market comprises of two types of customers for companies:

1. First line Customers (Doctors): With the help Doctor’s companies can sell the correct drug into the market & capture the consumer (Patients)
2. Final Customers (Consumers): The main customer is patient who consumes the drug & provides feedback to Doctor’s which reaches the company

The diagram below depicts the cycle:



If no feedback comes it means
Customer is not retained

Negative feedback (Probability that
it will reach to Dr or not)

Figure 1. Depicts the Customer retention cycle feedback loop

The above diagram depicts first strategy of customer retention which is termed as

a. Customer Feedback Loop

For retaining customers, it is important to collect & analyze customer reviews & surveys. This information provides a crucial base to modify & develop new marketing strategies by the companies & help gain their sales.

b. Use of correct Marketing Channel

Leveraging marketing channels is the most crucial part of winning customers & make them generate the want of the product or service. Healthcare professionals have also incorporated the use of marketing channels to increase their visibility & make their treatment reach masses in short span of time. Before selecting any Doctor for the consultation, a patient also searches various platforms to find the right Doctor. This has been possible because of digital marketing trend & growing health concerns in public which sets high tone of competition in the market. Pharmaceuticals, FMCG, Service industries are the best examples to learn how to leverage different channels to win the market but here also many companies commit the mistake which leads to false targeting.

Some of the Channels which can used are:

- **Digital Platforms**

Digital channels like website, social media platforms, mobile apps play a pivotal role in engaging healthcare professionals & patient as well.

This tool helps to provide up to date information on disease awareness, new innovation in healthcare, any policies made by government & also help to provide correct scientific information on medicines.

Customer feels connected with the company & digital engagement provides pharma companies get a better platform to understand the needs & wants of market & customer. This help them to modify strategies.

- **Targeted Email Marketing**

The most modern method to boost & gain higher audience is the email campaigns. These campaigns are most effective as they provide customized solutions to the customer needs & help them make right decision. The companies can display highly engaging content to make their customer intact & should not swift to another brand or company.

- **Direct Communication**

The highly reliable & the old school method of targeting customers with a very positive conversion rate. Direct communication provides the customer & the company a proper scenario for discussions & clearing all the doubts. E.g. In the pharma companies Medical Representative meets Doctors twice a month to showcase products & discuss the scientific aspects & with this meet company gets data about patient disease state & innovations required in the market.

c. Educative Programs

These programs are of various different types & help customers to direct question the company & tell their needs & wants. The programs foster a healthy relationship between the community & this leads to development of a healthy market place for everyone.

In medical world, CME (Continuing Medical Education) are the best programs for Doctors & company to foster a strong relationship & discuss various viewpoints regarding different medicines required for new diseases & strengthen the research on some on going molecule.

d. Incentivize the Buying Process

The ecommerce platform uses this strategy very frequently so that most of the traffic is generated in a very short duration of time. But in pharma world incentivization is not so easy as it involves various different

markets & different mindset of customers.

Some companies can use this strategy to hold back retailers so that they keep buying their stocks & selling for a high profit margin, but is also important to remember that it only works on OTC products & not on the Rx once's. With a proper understanding of markets & how business flow is kept moving the marketeers can devise a strategy for the same.

EVOLUTION OF CUSTOMER RETENTION

India a country of vast landscape where there is space for every field i.e. economy, sales, marketing, medical, construction & many more has seen numerous developments & today also innovations are going on to make it a better prospect. Aging back to over 2000 years we can get examples of trades which used to take place between two parties (Buyer & Seller) & that method has changed significantly today's modern era of marketing. There was no bifurcation of rural or urban market as everyone used to purchase goods from the same marketplace. But seeing the market today every strategy is different for rural markets & companies are focusing there with high investments. The definition of term "Marketing" has changed over time. Previously people used to refer marketing as visiting a market to shop for goods but in its real sense it means "a part of organization engaged with dealing relations with its actual customers & potential customers".

Similarly, the way of looking towards customers has also changed & in modern era of marketing companies focuses more on retaining existing customers & adding new once's with less breakdown rate. Let's have look towards early days of customer retention or its strategies:

Early Days of Retail & Retention:

- Before mass media & no sales representative it was difficult to know about each & every product available & compare them for selecting a better one. Customer has to face many challenges to procure even a single product & use it cautiously as it was not easy to go to distanced places for purchasing.
- Earlier customers used to have relations with local mechanic & vendors & used to believe their opinion for making any final decision regarding product.
- This period gives us an essence that how strong was brand loyalty in those times & how quickly customers decision used to get changed.

Globalization & rise of Internet

- The slow steady rise of internet made the world look different & started making the work more effective as all information a customer required would get in fraction of seconds.
- Customers used to see, compare & analyze which product or service is best for them & even search Doctors in their vicinity to get brief idea about his consultations.
- It was a big leap for manufactures as they could display their product USP direct to customers & influence their purchasing decision.
- Medical information's with scientific guidance helped customers choose the right medicine & also gain knowledge about their usage & side effects.
- This led FMCG companies take a high toll in India & penetrate their business by reaching mass audiences & influence their decision to purchase from local vendor.
- The international companies were able to rise because they had strategies to convert & retain customers with the help of fulling their needs.

Start of Customer Mapping

- A cycle of how a customer selects & chooses a product & for how longer it stays with the company/pr-

duct depicts its loyalty & trust, but in today's era of marketing its very difficult to map the customer.

- This makes organization to monitor various different touch points for customers to understand their pattern & draft strategies to gain a profitable business

Advocacy

- It is the oldest & reliable method of generating sales & gaining new customers.
- Once a medicine cures an individual, he will start using it & even praise the medicine in his group. This makes organization gain new customers & doesn't need to invest much.
- But here comes an interesting point that to make a customer advocate you need to spend on market visibility & presence of information on retail shops.
- This leads to further trust as customer will look engage with the message & that will help him to advocate "What is shown is true & all can rely".

NEW GENERATION RETENTION METHODS

Modern people, modern problems require modern solutions. The field of marketing has many different aspects which needs to be uncovered to tackle any situation & rise like a Hero. The best solutions is digital world which like use of Artificial intelligence & machine learning helps to lead automation & make informed decisions. Building of chatbots will help customers to select the right product as per their need & fulfill their desire on time & also get on time personal assistance whenever required. It will lead to more happier customers.

Predictive analytics another new generation tool for organizations to predict the next step of customers & define strategies as per that to retain them.

For e.g. a cosmetic company known as Loreal devised an online AI tool to help its customer get a skin analysis & provide the right product to help them out with decision making. This let customer fascinate & choose Loreal products via online or offline as per his/her requirement.

CUSTOMER RETENTION METRICS

Tracking a term which is very helpful in all business fundamentals & it effectively communicates how well a marketing campaign is going on, effectivity of a task & measure of level of message reached & communicated.

This tracking sometimes can be tracked via simple methods & some times it requires mathematical formulas to be used. But to measure the retention rate of a customer requires several metrics which tells the precise health of customer retention initiatives.

- 1. Customer Churn Rate (CCR):** This is the percentage of customers lost over a period of time. Companies with a low customer churn rate tend to have a higher CRR, so the closer the CCR is to 0%, the better.
 - a. E.g. If in a period of 8 months, a organization lost over 40% customers after implementing all the marketing strategies this signifies that they have low customer retention & needs to rework on its strategies.
- 2. Customer Lifetime Value (CLV):** This is the projected revenue from a customer throughout the purchasing lifecycle. It helps businesses measure customer loyalty. CLV also helps to identify the ways by which organization can retain its customer & help him purchase more then usual.
- 3. Customer Retention Rate (CRR):** The percentage of customers retained over a given period of time. It is achieved by measuring how many customers remain at the end of period and subtracting the

number of new customers acquired during that period of time, divided by customers at the beginning of the period. Though a 100% CRR is ideal, it varies across industries. Increasing an organization's CRR can increase profits by over 90%.

- a. The formula is as stated:
 - b. (No. of Customers retained – No. of new customers acquired)
 - c. No. of Customers at the Start of the period/Campaign
4. **Net Dollar Retention (NDR):** This is a churn metric that calculates the percentage of recurring revenue retained from existing customers over a period of time. Since NDR considers multiple factors (e.g. downgrades, cancellations, pause requests) that impact recurring revenue, it is the best indicator of customer retention success (versus Monthly Recurring Revenue (MRR) and Annual Run Rate (ARR)).

CUSTOMER RETENTION TOOL:

Navigating via an increasingly competitive marketplace, retaining loyal customers has become more crucial than ever. To achieve sustainable growth and maximize customer lifetime value, businesses are increasingly turning to sophisticated customer retention tools and strategies. These tools not only help in understanding customer behavior but also enable personalized engagement, proactive customer support, and effective feedback management. You might have heard or seen written on various company website that – “The company recognizes the significance of fostering long term relationship with its customers, stakeholders & channel partners”. This signifies that the organization uses several tools to be informed & develop strategies as per the market requirements.

Let us see some of the retention tools which are being used by organizations & which can be used in near future:

1. **Customer Relationship Management (CRM) system:** A CRM system unites multiple functions (e.g. project management, contact management, digital marketing) into a single data-driven platform. A “unified” CRM system automates communications and streamlines internal processes to enhance the overall Customer suite. It may include personalization features (e.g. targeted content, offers, alerts) that are isolated w.r.t customer engagement within a specific context. Overall, a unified CRM provides procedural consistency and reliable data that help increase customer retention and company revenue. **E.g.** A pharma company has database of Doctors, Retailers, Consumers (Via online purchase) & certain vendors & Dealers. It encompasses a huge database which can't be kept isolated & every time a different file can't be opened.

Here comes the role of CRM system which helps combine data base into different folders as per the category & department with a specific login access to strategies & monitor the next step. It makes decision making easy & reliable.

2. **Chatbots:** A chatbot is an artificial intelligence-powered computer program that uses natural language processing (NLP) to decipher customer inquiries and provide automated responses. This stimulates informational exchange, which personalizes the online customer suite while collecting user data. AI chatbots also suggest or prompt customer actions that lead them to their desired resources. These processes help customers achieve their site visitation and purchasing goals, and build brand reliability, trust and loyalty, which increases CRR. If we look deeper into the concept of chatbots powered by AI we can relate the number of times we ourselves have invested in these chatbots.

E.g. Pharma companies mostly consumer oriented (Online marketplace) has this feature which pops

up every time a user lands on the website saying “How May I help You”. The information which is asked on priority is the mobile number & then OTP so add user in the database & from here starts the offers & marketing messages which is sent by AI automatically in defined time frame.

Chatbots are not always friendly or can't be trusted as data breaching can happen which affects consumer in a long run. This feature needs utmost importance to be monitored & safe usage is required.

3. **Loyalty Programs:** Over a period of time it has been noticed that consumers buy from places which offer something in return of their spends which makes them feel rewarded or proud that the organization cares for them. This reward can be in any form like: free coupons, discount on next purchase, cashbacks in wallet or a small gift (keychain, stickers, etc.). The harsh part is that this happens only in online marketplace where there is no one to watch & question the organization or the consumer. In medical world the same happens when anyone buys medicines online to save time & earn more discount than a local pharmacy. The online retail provides them a subscription with umbrella of benefits with coupons, free delivery, 1-day delivery & automatic reminder for medicine purchase. Since last 3-4 years the loyalty program has been a huge success for online resellers & has come up as best & low investment activity for customer retention. Loyalty programs surely increase the CRR for a company.

8C's OF CUSTOMER RETENTION

1. Competence:

Competence is not just a desirable trait in the customer service, it's a critical component that can significantly impact customer mindset & decision making. Let's check some of the key parameters

- a. Understanding Customer Needs: Whenever a customer enquiry for a service or product, he/she has some pre decided pointers which they want to be fulfilled by the service or product. When customers come to know that their needs have been taken care of, they are likely to get convert easily.
- b. Providing Accurate Information: This is an crucial aspect of selling any product or service in any industry. When precise & relevant information is provided it helps customer to make informed decision. E.g. When a knowledgeable medical representative visits a doctor to pitch a medicine, the doctor takes interest because the MR is well aware about what he is speaking & what the doctor actually wants to hear. This increases the chances of conversion of doctor that he will purchase that particular medicine.
- c. Effective problem solving: Competence involves being able to troubleshoot & solve problem efficiently. In pharmaceutical industry, solving a doctor query or patient dissatisfaction is very crucial to be in the market. It enhances credibility of once company & also builds brand image effectively.
- d. Feedback & Adaptation: Understanding customer feedback is very crucial after they have used your product or service. As feedback helps to make informed decision for the next step & generate customer centric solutions which makes adaptation easy & relevant.

2. Courtesy:

Courtesy is an important tool which helps shapes customers perceptions & experiences.

- a. Creating a welcoming atmosphere: Greeting customers at the first sight of meet creates a healthy & warm environment for discussion. In pharmaceutical industry when medical representative visits doctor it is very important that he greets them & creates an environment feasible for talk. This gesture lets doctor feel valued which lays foundation for later discussions.
- b. Handling objections: Query's & objections are a part of every business & handling them with courtesy

is important to generate customer satisfaction. Answers to objections are with everyone but the way of giving those answers & making customer feel answered is of utmost importance.

- c. Reflecting brand values: When customer is satisfied & has become loyal to generate word of mouth marketing for your business it builds a strong brand image which is trustworthy & credible.

3. Communication:

Effective communication is a cornerstone of every successful customer retention. Its important because

- a. Clear information exchange: It helps in conveying information about products effectively, as it consist of all important pointers in an easy accessible way.
- b. Building Confidence: When a customer keeps getting on time reply & a constant communication is intact between business & him it will always build a strong confidence for that product & company. E.g. When a pharmaceutical industry is always in touch of its customers (Doctor, pharmacy or patient) they always feel confident & automatically they will trust the product.

4. Consistency:

It is a key factor in maintaining a high standard of customer retention. Let us see how

- a. Building brand reliability: Consistency in service reinforces the reliability of the brand. Customers are likelier to remain loyal to a brand that meets their expectations.
- b. Reducing Customer Frustration: Reduced frustration due to varying service levels is a result of consistent service. This leads to fewer complaints and a more positive business perception.
- c. Easier Performance Measurement: Consistency allows for easier tracking and measurement of service performance. Regular assessment and improvement of service standards become more feasible, leading to continual enhancement of the customer experience.

5. Credibility:

Credibility is about establishing trust through honesty and integrity in customer interactions

- a. Building Trust: Being honest and transparent in all interactions builds trust with customers. Trust is critical to customer loyalty and can lead to long-term relationships. This is very crucial in pharmaceutical industry as it requires huge amount of trust between pharma companies & Doctors & Medical representatives. This trust only paves the way for business & long-term continuation.
- b. Enhancing Brand Reputation: Credibility contributes to a positive reputation, as customers are likelier to trust and recommend a credible brand. A good reputation attracts new customers and retains existing ones. E.g. If medicine brands suits doctor & his patients, it is likely that Doctor will 100% promote that brand to his colleagues & other associates.
- c. Long term customer relationships: Credibility lays the groundwork for lasting customer relationships. Customers are more likely to return and engage with a brand they find trustworthy and reliable. Providing complete and accurate information aids customers in making informed decisions.

6. Caring:

Caring in customer service is about showing genuine concern and empathy for customers

- a. Understanding customer emotions: Recognizing and empathizing with the customer's emotional state. Customers feel understood and valued, which enhances their overall experience.
- b. Personalizing interactions: Tailoring the service approach to individual customer needs and situations. Personalized attention makes customers feel special and increases their satisfaction. Creating a bond through empathetic and compassionate interactions.
- c. Resolving issues with empathy: Addressing problems not just efficiently but with understanding and kindness. Empathetic resolutions can turn negative experiences into positive testimonials.

7. Commitment:

Commitment to customer service is about consistently striving to deliver the best possible experience.

- a. Continuous improvement: Regularly seeking ways to enhance the quality of customer service. This leads to ongoing improvements, keeping pace with changing customer expectations. Anticipating customer needs and addressing them before they become issues.
- b. Employee Engagement: Encouraging a culture where employees are motivated to provide excellent service. Engaged employees are likelier to go the extra mile, leading to better customer experiences.
- c. Customer feedback utilization: Actively seeking and incorporating customer feedback into service strategies. This makes customers feel heard and contributes to service that meets their needs.

8. Control:

Control in customer service refers to the empowerment of employees to manage and resolve issues effectively.

- a. Empowering employees: This involves giving employees the authority and resources to make decisions. Empowered employees can quickly resolve issues, increasing customer satisfaction.
- b. Efficient Problem Resolution: Efficient resolutions reduce customer frustration and enhance the brand's perception.
- c. Flexibility in service: Allowing employees to adapt their approach to suit individual customer situations. This flexibility can lead to more personalized and effective solutions. In pharma industry a MR knows Doctor very well then, the people in Head office. If MR is given flexibility to handle Doctor in his way & generate business from him, he will be 100% successful in his approach.

CONCLUSION:

This research has demonstrated that personalized marketing strategies significantly enhance customer retention across various industries. The analysis highlights that tailored approaches—encompassing personalized content, targeted offers, and individualized communication—can effectively increase customer loyalty, engagement, and overall satisfaction. The findings reveal that personalization not only fosters a deeper connection between brands and consumers but also drives measurable improvements in retention metrics.

Key insights from this study indicate that the success of personalized marketing strategies is contingent upon the quality and accuracy of the data used to create customer profiles. Organizations that invest in robust data analytics and CRM systems are better positioned to leverage personalization for sustained customer retention. Additionally, the integration of artificial intelligence and machine learning technologies can further refine personalization efforts, leading to even greater retention outcomes.

Despite the positive results, it is crucial for businesses to remain mindful of privacy concerns and ethical considerations. Transparent data practices and respect for customer preferences play a pivotal role in maintaining trust and long-term loyalty.

In conclusion, while personalized marketing strategies are highly effective in retaining customers, their success hinges on a balanced approach that combines technological advancement with ethical stewardship. Future research could explore the long-term impacts of personalization on customer retention and investigate sector-specific variations in effectiveness. By continuing to refine these strategies, businesses can enhance their competitive edge and build lasting relationships with their customers.

REFERENCES:

1. This research paper is majorly documented from data collected via secondary research in the field of different industries (Pharmaceutical & Service Industry)
2. Certain data are from Primary research which has been conducted by external agencies.
3. The link which has been referred for making base of this research paper are:
<https://insidea.com/blog/customer-service/8-cs-of-customer-service/>
<https://www.ibm.com/topics/customer-retention>
4. The examples quoted in the paper are based on personal experience of author in the pharma industry & service industry.