

DEMARKETING IN DEALING WITH UNDESIRABLE CUSTOMERS

Demarketing is a strategy of the seller's behavior in marketing aimed at reducing the demand for the product by any means. The necessity to use demarketing occurs in case of too much demand far exceeds supply, due to the inability for any reason to increase the production of goods. Demarketing can be carried out on the product market and in the services sector.

Leading marketing strategies of companies are typically aimed at attracting and retaining customers. But what happens if the costs for the customer exceed its profitability or cooperation is negative for the company image? How to identify and stop working with these clients, without losing the main customer base? These issues are addressed to in the research and developments in the field of demarketing.

There are various examples in demarketing, many of which are well known, but often are not used at full effect. The easiest and most common example is the introduction of the minimum order quantity, the increased payment for small orders or payment for individual services to customers not gaining certain amount. At first sight, such a strategy is commonplace and should be applied in all enterprises. Practice shows that many firms are trying to satisfy and retain all of their customers, refuse their application and putting up with losses, whereas simple rules can lead to a significant increase in profits. This example shows only a partial waiver of clients as separate groups here are not completely eliminated, and there is an attempt to increase their profitability and continue to work together.

Complete rejection of some customer groups happens in case of attempt to avoid a negative impact on the company image and products when working with certain clients or distribution channels. When choosing such a strategy of complete rejection from some customer groups it is necessary to calculate the associated with this limitation loss of volume not only at the present moment, but also the development of excluded customers in the future.

Demarketing is also used in the public sector at an effort to reduce the consumption of alcohol or cigarettes. Or decrease sale of products that require large resources. Such anti-campaign is widely used by firms which produce products without any additives, or environmentally friendly packaging.

Most researches show that only 20% of the customer base is profitable for the company, 60% mostly covers the costs associated with their service, and bring only a small profit, 20% generates significant losses. These figures show that for most enterprises the question of customer base analysis should be the part of everyday work. The main steps for learning losses and profits of customers can be:

1. Calculation of all costs associated concerning customer service
2. Sorting of services paid by the client and provided free of charge
3. Segmentation of the customer base
4. Distribution of services in separate segments

In general, increasing the customers' profitability is complex topic, and various criteria must be taken into consideration. It is very important to understand all the costs associated with the service, even of the most inconsiderable customers. This factor is often overlooked which leads to significant losses.