# Analysis of Reducing Customer Churn Rate in the ERP Industry

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**Abstract**

This paper analyzes the phenomenon of customer churn in implementations of Enterprise Resource Planning systems, with the aim of identifying effective strategies to reduce its occurrence in the ERP industry. The study is based on real-world data from 67 implementation projects conducted by an ERP service provider. It focuses on the stages of the implementation cycle where customer cooperation is most frequently discontinued and classifies the primary reasons for project abandonment. Based on the findings, a set of targeted strategies is proposed to mitigate churn risk. These recommendations are intended to improve implementation success rates and foster long-term customer engagement.
**Keywords:** ERP implementation, project management system, customer churn prediction.

## 1. Introduction

Enterprise Resource Planning (ERP) system is a comprehensive IT tool that plays a key role in managing modern businesses striving to gain a competitive advantage in a dynamic business environment [1]. Customer churn represents a critical challenge for ERP implementation companies due to high customer acquisition costs (CAC), loss of long-term revenue (LTV), and the negative impact on reputation and references which are crucial in this trust-based industry. Moreover, customer attrition strengthens competitors, may generate legal expenses, and reduces team morale, leading to further operational difficulties. Consequently, effective customer retention strategies are not only essential for maintaining profitability but also constitute a prerequisite for stable business growth in the competitive ERP market, where client relationships and implementation quality determine long-term success. In this study, we examine the implementation stages at which customer churn most frequently occurs and analyze the key reasons behind these decisions. Based on the findings, we propose churn reduction strategies aimed at increasing implementation success and fostering long-term customer engagement.

## 2. Related Works

The phenomenon of customer churn (also referred to as attrition) occurs when clients discontinue using a company's services or products, ceasing to be paying users. The churn rate represents the percentage of customers who terminated their contracts during a given period relative to the total customer count at the period's outset. Elevated churn rates signal customer dissatis-

faction with products/services and their decision to discontinue business relations. Understanding and effectively managing customer attrition is critical for enterprises, as churn reduction can drive revenue growth and foster long-term customer loyalty. The specific data requiring monitoring depends on each company's unique business model and the particular challenges it addresses. By examining the manner, timing, and underlying causes of consumer behavior patterns, organizations can anticipate future actions and implement corrective measures proactively [4]. Comprehensive understanding of customer churn necessitates multidimensional analysis of churn determinants and systematic identification of recurring behavioral patterns leading to business relationship dissolution. Methodical investigation of churn causes enables companies to implement strategically oriented preventive measures that both reduce attrition of key accounts and significantly improve customer satisfaction metrics [3]. ERP (Enterprise Resource Planning) consultants possess specialized expertise enabling them to holistically understand each client's unique requirements, allowing for the design and implementation of tailored business processes while maximizing system functionality utilization. Despite these competencies, frequent tensions in client-consultant relationships substantially constrain the realization of implementation benefits, underscoring the critical importance of effectively managing these relationships during post-implementation phases [2].

Customer attrition is a complex and multifaceted process that can be examined from various research perspectives. The literature identifies numerous determinants of this process, with the most frequently cited including dissatisfaction with product quality, inadequate customer service, more competitive market offers, and evolving consumer preferences and needs [5].

## 3. Empirical Research Design

The empirical part of this study is based on two key analyses: (a) the distribution of customer churn across different stages of the ERP implementation lifecycle, and (b) the classification of the primary reasons for project abandonment, based on insights gathered from unsuccessful implementations.

These analyses were conducted using data from ERP Serwis Sp. z o.o. Sp. k., a company specializing in the implementation of ERP systems for over 10 years in both manufacturing and service sectors. The study utilized records from the task tracking database of the iCRM24 system implemented within the company. The dataset included implementation projects completed between 2013 and 2025. A total of 67 full-scope ERP implementation projects were analyzed, of which 43 were successfully completed. For the remaining, unsuccessful implementations, interviews were conducted with company managers to identify the underlying causes of project discontinuation.

## 4. Insights From Empirical Research

Analysis of ERP implementation projects encompassing the full deployment lifecycle (pre-implementation analysis, installation and configuration, data migration, custom developments, training, and post-implementation support) reveals critical vulnerabilities during end-user training phases (see Fig. 1a). This stage proves particularly pivotal, with 44% of failed implementations terminating here as users first interact directly with the system, exposing gaps between expected and actual functionality. Training phases often uncover discrepancies between clients' original requirements (documented during pre-implementation analysis) and consultants' technical interpretations of those needs. Misalignment between the "client's vision" and delivered functionality emerges as a primary driver of project dissatisfaction.

Notably, 24% of failed projects were abandoned during the pre-implementation analysis phase, reflecting clashes between initial expectations and the solution's actual capabilities. Such early withdrawals may indicate organizational maturity rather than failure, demonstrating pru-

dent investment decisions when recognizing system-process incompatibilities. License purchases frequently precede full awareness of software limitations or relevance to organizational workflows.

Custom development phases also witness attrition when delivered solutions fail due to incomplete, inconsistent, or outdated source data provided by clients. Despite time and financial investments, such scenarios yield non-compliant outputs, frequently escalating into contractual disputes. Implementation partners face challenges defending project scopes against demands for undocumented functionality changes, sometimes culminating in contract termination.

Post-implementation retention analysis shows that even successful deployments (64% of cases) do not guarantee ongoing collaboration, only 42% of these transitioned to maintenance contracts. Clients without service agreements typically migrate to alternative IT providers or internal teams, indicating hidden churn within technically "successful" projects.

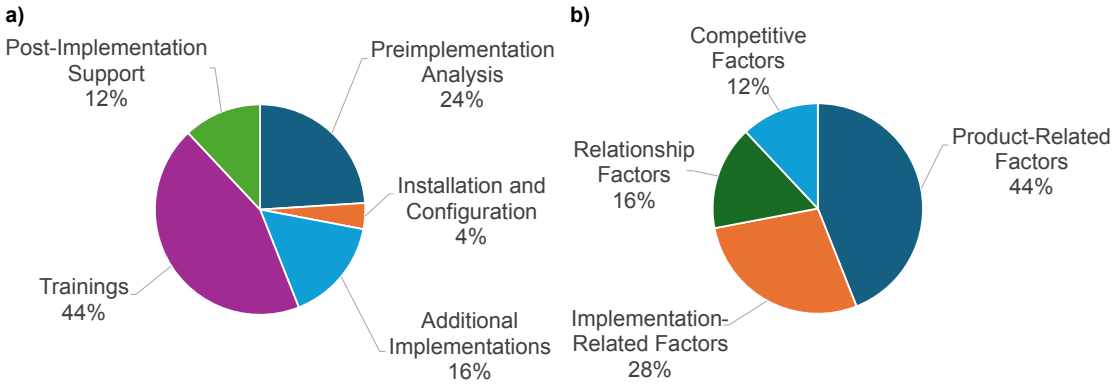


**Fig. 1.** Customer churn distribution across ERP implementation phases (a) and identified reasons for project withdrawal (b), based on empirical data from 67 implementation cases.

Interviews conducted with companies that withdrew from the implementation process identified four key categories of factors influencing the decision to discontinue the project: product-related, implementation-related, relational, and competitive factors (see Fig. 1b). The product-related factors included issues such as software quality problems (e.g., technical errors, lack of regular updates), misalignment between system functionality and client needs, and integration challenges with existing IT infrastructure. Implementation-related factors encompassed budget and timeline overruns, insufficient competence or engagement of the implementation team, and inadequate preparation of end-users (e.g., lack of training). Relational factors involved communication gaps between project stakeholders, limited flexibility of the vendor in adapting to changing client requirements, and interpersonal or organizational conflicts during cooperation. Competitive factors included more attractive offers from alternative vendors (in terms of pricing, functionality, or support) and client strategy shifts toward cloud-based solutions (e.g., transitioning from on-premise to SaaS).

The data revealed that product-related factors were the most frequently cited reason for withdrawal (44%), with respondents noting significant discrepancies between promised and actual system functionality during implementation, often leading to costly customizations that exceeded the budget. Implementation-related factors accounted for 28% of responses, primarily due to lack of trust in the implementation team's professionalism and project delays. Relational factors (16%) and competitive factors (12%) were less commonly mentioned, potentially because relational issues are subjective and harder to define, while competitive comparisons typically occur during the tender phase rather than mid-implementation. These findings suggest that while technical and procedural shortcomings drive most implementation failures, softer relational dynamics and late-stage competitive pressures also play a role, albeit a smaller one.

Based on the analyses conducted, a set of strategies can be proposed to reduce customer abandonment of ERP system implementations. A key element is strengthening the pre implementation analysis phase through detailed workshops, precise definition of requirements, and realistic alignment of system capabilities with the customer's business processes. Equally important is improving communication between stakeholders, through regular status meetings and the standardization of project documentation. The training phase should be tailored to specific user roles and based on practical, real-life scenarios, increasing the likelihood of system acceptance by end users. It is also essential to implement transparent change management procedures that help control the impact of new requirements on the project's budget and timeline. Furthermore, special attention should be paid to the quality of data prepared for migration, building trust-based relationships, and maintaining continuous engagement with the client even after implementation (e.g., by promoting service-level agreements and collaboratively planning future system development). Implementing these strategies can significantly enhance the effectiveness of ERP projects, reduce the number of abandoned implementations, and improve long-term customer engagement.

## 5. Conclusions

The article addresses the issue of customer resignation from ERP system implementations and identifies the stages of the implementation cycle at which cooperation is most frequently terminated. Based on the analysis of data from 67 projects carried out by an implementation company, along with interviews conducted with clients, the main reasons for resignation were classified into four categories: product-related, implementation-related, relational, and competitive. The most frequently cited issues were problems during the training phase and a mismatch between system functionality and customer expectations. In response to the identified problems, a set of strategies was proposed to reduce the risk of resignation and improve implementation effectiveness. As part of future work, the development and implementation of a comprehensive risk management model for ERP projects is planned, including risk assessment after each stage of the implementation process. In addition, the use of artificial intelligence methods for risk prediction and automated decision support in the areas of customer retention and implementation process optimization is being considered.

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