Retention: How to Hold on to Your Customers

If you are in business, you probably have current customers who are cancelling service, not making a 2nd purchase, or otherwise turning their backs on your business.

Why does this happen?

What you may not realize is that customers never really make a purchase commitment; all they are agreeing to is a trial. You may see your customers as annuities; customers see you as being on probation.

And what makes someone become a customer is not the same as what makes someone **STAY** a customer.

The clock is ticking.

The fact is, you have to stop your customers from leaving, because once they are gone, it is extremely unlikely that you will ever get them back. Moreover, from the moment of the initial purchase, the clock is ticking.

Customers evaluate their relationship with you, often unconsciously. If the evaluation is favorable, your customer will essentially lock out competitors. If unfavorable, customers look for an alternative. Most customers cannot even tell you why they are leaving. Surveys after the fact will not provide you any insight. But once the customer's evaluation time has expired, you cannot impact the customer's intent to repurchase.

Who has retention problems?

We think most often of providers such as electric utilities, cell phone service, and others with monthly billing arrangements, who are fighting churn. But the underlying issues apply to any business that wants to sell to the same person more than once.

Why it matters.

Nearly all organizations recognize the importance of attracting new customers. Unfortunately, many new customers are never profitable, because they defect before the organization has recouped its marketing, selling, and other initial costs. For many businesses, customers are not profitable until they stay more than one year. If you can extend the life of even some of these new customers to the second, third, or fourth year, profit can be dramatically increased, sometimes by orders of magnitude.

For many businesses, 5% less churn = 65% more profit!

Sadly, it's only when churn exceeds 20% that most organizations begin to seriously investigate retention.

> 20% churn results in losing 60% of customers in 4 years.

> 30% churn results in losing 75% of customers in 4 years.

What to do?

Here is the wisdom established through multiple projects serving different industries and gained through more than a thousand interviews:

1. First, you need to understand what causes new customers to stay or leave in your particular business.

Recognize that after the sale what once seemed unimportant can become critically important. For example, the laptop computer you sold may have been purchased based on speed and battery life; after the purchase, weight will seem most important, after your customer has lugged the laptop through a few airports.

2. Second, you must send the correct message in time, to prevent your customer from leaving.

Send post-sale messages that help customers feel good about the decision to purchase and about the ongoing relationship. These are messages that typically need to be different from the "pitch" that motivated the initial purchase or sign-up. Retention messages answer the post-sale question that every customer unconsciously asks:

"Does the seller really care about me?"

And don't wait too long, because the best way to prevent "cancellation" is far upstream from the cancellation event.

Retention programs typically require a fraction of the cost required to achieve similar increases in profit from new customers. After all, the customer is already identified and willing to interact with you, and the communication channel often already in place. Retention efforts simply must begin near the closing of the initial sale, when customers are eager to receive the messages. Early contact forms an indelible impression.

Here are the steps:

1. Set expectations in the sales process, and in marketing materials. Negative experiences can be reframed before they occur. Include retention messages in all routine contacts, such as billing statements.
2. Be as accessible after the sale as before.
3. Let customers know that you value them.

Again, don't wait too long -- you can't save the relationship once the cancellation occurs. Beware of using financial incentives to secure commitment-- if you do, customers will just leave as soon as the incentive is matched by a competitor.

If you leverage the communications that are already occurring, you will make huge improvements in loyalty, repurchases, and customer satisfaction at very little expense, and retention will not be an issue.

There are of course exceptions:

Loyalty programs and other "bribes" try to circumvent evaluation by creating an external motivation to repurchase that is unrelated to the product experience. This "airline miles" model, however, doesn't work for most purchases.

Ask us for further information or for guidance on the process and costs of implementing an effective retention program.

For a no-obligation consultation to discuss whether or not we may assist you in meeting your revenue goals, please contact info@sullivanperkins.com