



Retaining Customers

Retaining customers is a great way to grow quickly and increase profits. However, effective customer retention strategies are easy to embrace but difficult to implement.

Research shows that it costs five times as much to find a new customer as it does to keep an existing one. Despite this, most management teams who only pay lip service to customer retention through their marketing brochures. But retaining customers involves more than just lip service in a marketing brochure. It involves true and open customer service.

Today we operate in a highly competitive environment that requires you to market a customer-focused message. In industries where there is little perceived competitive differentiation, retention marketing can not only influence valuable customers, it can be the difference between loyalty and defection.

Customer retention generates profits by holding on to customers, rather than merely replacing them with new ones. Marketing that acknowledges customer loyalty can generate significant profit for companies that experience high customer fall out. Designed to have lasting impact, programs can be structured to provide the highest rewards for the most valuable customers.

Bear in mind that customer acquisition is a costly exercise. On its own, it can be highly unprofitable. Ideally, any customer acquisition program should be carefully integrated with retention marketing to ensure you are generating profit from your existing client base while keeping them happy. One of the supreme benefits customer retention has to offer is greater predictability and the ability to gather invaluable information during customer interactions. Such information allows you to improve the targeting of your offers and increase your sales rates.

To retain more customers, organizations should do the following:

1. Begin to track customer retention as a key performance indicator. The ability to accurately measure customer retention on a regular basis quantifies the ROI of customer retention.
2. Get regular feedback from your customers. On top of asking for feedback, make sure you send a thank you letter that details how you will implement their suggestions.
3. Understand how customer retention rates vary by vertical to help determine which vertical markets are and are not being effectively addressed. More importantly, vertical analysis allows organizations to appropriately allocate resources to their most valuable customers.

Companies don't attain high levels of retention overnight. Institutionalizing customer retention as a key means for measuring and improving business performance takes time and energy.

The first step is to evaluate your organization in light of customer retention as a goal and establish a means to accurately and consistently measure customer retention.