

# SYNERGY SAYS

October 4, 2011



**What You Should Know About  
Visitor Retention**

**What is Retention?**

The activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship.

Source: "The value of an existing customer" Infographic © visual.ly 2011

## Why Customer Retention?

Customer Attrition is not a new problem. However, the dawn of social media has sparked what is being called the "communication revolution," and it is easier than ever for customers to seek out new companies to do business with and voice their opinion when they're unhappy. Marketers are more aggressive

than ever before and with targeted marketing campaigns dropping into prospects' inboxes, newsfeeds, mail boxes and even cell phones, people are being flooded with offers from companies begging for their business.

All of the competition for business has proven customer loyalty to be difficult, but not

impossible to achieve. Providing quality products and services at reasonable prices is a great start, but customers today are so berated with offers from the competition, great prices and service are not always enough. Customer service no longer just pertains to face to face or in store encounters, customer service

## Stats About Customer Turnover

A 5% reduction in the customer defection rate can increase profits by 5 – 95% – *Bain & Company*

An average company loses between 10 – 30% of its customers annually – *McKinsey*

It costs 6 – 7 times more to acquire a new customer than retain an existing one – *Bain & Company*

96% of unhappy customers don't complain, however 91% of those will simply leave and never come back – *1st Financial Training services*

A 50% reduction in customer base would occur if left alone over a 5 year period – *Bain & Company*

Source: "50 facts about the customer experience"  
© 2010 James Digby, Return on Behavior Magazine

media provides them with a platform to share every aspect, good and bad, of their shopping and buying experience. So if a customer is unhappy, it is easier than ever for competing businesses to capitalize on the experience and target them with special offers to gain their business. Marketers have planted their most enticing offers in front of their ideal prospects- customers buying the same products from elsewhere but have reason to be dissatisfied. Most customers leave a brand they are currently loyal to because they believe

encompasses all aspects of a customer's experience with a company, from the initial touch, through the sale, product performance, ongoing support and replacement. Instating a regular customer retention program goes the extra mile and shows customers their business is valued, while reducing marketing costs, increasing purchase frequency, and improving brand image. Customers are looking to buy from companies that appreciate their business, and go the extra mile to show them that.

## Why Are Visitors Leaving?

The little known reason customers defect.

While price is a contributing factor, particularly in our current environment where most customers – consumers or businesses – perceive the majority of products and services to be commoditized, service is the primary factor. Low price isn't nearly as compelling to a

customer because consumers and businesses are being flooded with offers promising to produce twice the service at half the cost, but a company providing great service and a genuine interest in the needs of customers is the rarity. A study by RightNow Technologies shows that 73% of customers leave because of poor customer service, while the Rockefeller Corporation shows that 68% of customers leave because they think that corporations do not care about their business (source: "#1 Reason Customers Leave" Ann Barr, Ann Barr Blog). People are creatures of habit- what customers really want is a company they can trust and build a relationship with over years, not just a one-time shop- but they are not willing to give their business away to a company that does not appreciate their time or dollars.

Your customers are your competitors' prospects.

Today's customer is more vocal than ever before, and social



Source: "Global Customer Service Barometer" © 2011 James Digby, Return on Behavior Magazine

another company is more deserving of their business.

## Not all Customers are the Same

### Retention Marketing Vs. Prospect Marketing

Most marketing plans are so focused on acquisition that they miss opportunities housed within their own internal customer base. Acquisition marketing tactics tend to be more expensive and less effective than simply refocusing marketing efforts towards customer retention. The probability of selling to an existing customer is 60-70% versus the probability of selling to a new prospect which is 5-20% (Source: Top 5 Customer Retention Marketing Tactics” April Dunford, Rocket Watcher Product Marketing for Start ups). Because they have purchased before, current customers have already proven themselves to be perfectly

qualified prospects, and are more likely to redeem any offers presented. Not only are redemption rates on retention campaigns higher than their prospecting counterparts, but response rates, and in turn, return on investment are significantly better than prospect marketing campaigns. Test after test has proven that letters mailed to a list of past customers will achieve more than double the results when compared to the same letter mailed to a list of prospects. A perfectly planned postcard might entice a prospect to read, and even ponder the offer they received, but past customers are more inclined to respond to marketing material because they already have a certain level of trust in a company they have worked with before. Targeting customers that have purchased previously with direct marketing materials will result in increased offer redemption, and ultimately ROI. Customer marketing should

## Who Are Your Core Customers?

Customers who purchased recently are more likely to come again, VS customers who have not shopped in a while.

Customers who purchase frequently are more likely to buy again VS customers who made only one or two purchases.

Customers who spent the most money in total are more likely to buy again. The most valuable customers tend to become even more valuable.

focus not only on driving the next transaction, but also on building the relationship between brand and consumer.

## Maximizing the Value of Retention:

### Understanding Analytics

It's no longer enough to send out an email blast and expect results. Brands and businesses are doubling and tripling up on marketing mediums used in a single campaign. While it's important to touch customers on multiple fronts, let's not forget the most important part of any cross-channel marketing campaign — the analytics. The best retention programs constantly proactively analyze customer behavior in order to



Even if you are growing fast, you may be burning through users quickly. A viral product does not mean a sustainable product.

Source: "Global Customer Service Barometer" © 2011  
James Digby, Return on Behavior Magazine

identify and reach out to at risk customers before they defect. Customers want to be heard, and when a company is engaged with their customers they are often more tuned into the wants, needs, and trends occurring within their own customer base. A systematic “listening” process is the best way for companies to interact with their customers and anticipate customer behavior, preventing serious loyalty problems.

Social Media and other modern marketing add-ons and tactics are tailor-made for companies looking to maintain an active engagement with their customers. The real value found in most modern marketing is grounded in the analytics provided. Analytics can provide ROI information and marketers can use the data gathered in a current campaign to better target for the next. Modern strategies make collecting responses and interpreting their meaning a breeze, and the analytics provided



Source: “Global Customer Service Barometer” © 2011 James Digby, Return on Behavior Magazine

from QR codes, PURLs, direct mail, print ads, PPC ads, banner ads, Facebook shares and even tweets can assist in crafting a successful campaign for any business.

## Customer Segmenting

Customers typically repeat buying patterns, so by taking note of past purchases and buying trends, marketers can maximize the effect of their messages and precisely target campaigns. Treat all customers as if they are all the same, and they will feel just that. Core customers appreciate special treatment as it shows their frequent patronage is noticed- hence the success of membership and rewards programs. On the other hand, customers who purchase less frequently will be less likely to opt out of marketing lists if they receive fewer, but more enticing offers. By dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on- it is easier to speak to the interests of each individual buyer. Determine which customers purchase most frequently, which customers spend the most, and which customers are at the highest risk of defecting. In segmenting a customer base, the marketer

"When customers are satisfied with a company and its products and/or services, they have no reason to look for alternatives. When the status quo is altered, either due to changes in a company's offerings, the competitive environment, or the customer's needs or lifestyle, a customer becomes "at risk" of defecting. **Effective loyalty programs anticipate customer behavior by constantly reviewing and analyzing customer activities.**"

Source: Maximizing Customer Retention: A Blueprint for successful Contact Centers © 2008 DMG Consulting LLC

# The Value of an Existing Customer

“In a perfect world, it's both and everything in between. In the real world the general marketing rule is that retention is a lot more cost effective than acquisition.”

Cardie Johnson, Forrester Research  
On which is more important: keeping existing clients thrilled or wooing new consumers.

## Customer Retention vs. Customer Acquisition

6 to 7

number of times more costly it is to acquire a new customer than retain an existing one

50%

amount customer attrition rates could reach if left dormant over a 5 year period

5 to 95%

amount of increased profits that can come from boosting customer retention rates by as little as 5 percent

Source: <http://www.businessfast4ward.com/small-business-marketing-strategies-customer-retention-vs-customer-acquisition/> (Frederick Reichheld of Bain & Company)



These nifty little bar codes are the latest in print and direct marketing trends. Simply scan with the camera on a smart phone and it will redirect the phone's browser to a webpage, video, text ad, or event invite.

Use this one signup for our monthly newsletter.

ensures that each and every marketing message and offer is heading to a group of individuals likely to value and use the offer, increasing redemption, and ROI.

## Repeat Customers Increase Company Value

Implementing a customer retention program not only allows corporations to reach out and thank customers for their business, but also to reward them for their loyalty with discounts and special offers-increasing the frequency in which customers make purchases. A customer retention program builds up the relationship between company and customer and then maximizes the potential lifetime value of a customer, instead of simply driving single purchases from prospects. When focusing on value over time, a customer becomes much more valuable than the

purchase price of a single transaction. Research also shows that a 10% increase in customer retention results in a 30% increase in the value of the company (Source: "Top 5 Customer Retention Marketing Tactics" April Dunford, Rocket Watcher Product Marketing for Start ups). Customer retention marketing is focused on driving the next transaction from current customers; therefore a retention program drives current customers to make purchases more frequently, because they want to take advantage of offers being presented, and simply because companies they are receiving frequent communications from are more likely to be on the forefront of their minds.

## Sources

Maximizing Customer Retention: A Blueprint for successful Contact Centers

© 2008 DMG Consulting LLC

<http://www.scribd.com/doc/39374377/Microsoft-Dynamics-CRM-Marketing-White-Paper-Customer-Retention-DMG-Consulting>

"#1 Reason Customers Leave" Ann Barr, Ann Barr Blog

<http://www.annbarrblog.com/sales-tips/customer-service-sales-tips/1-reason-why-customers-leave/>

"Top 5 Customer Retention Marketing Tactics" April Dunford, Rocket Watcher Product Marketing for Start ups

<http://www.rocketwatcher.com/blog/2010/05/top-5-customer-retention-marketingtactics.html>

"Global Customer Service Barometer" by James Digby, Return on Behavior Magazine

<http://www.returnonbehavior.com/wp-content/uploads/2011/05/Global-customer-service-infographic.jpg>

"The Rising Tide of Customer Defection" by Laurence Haughton, Small Business Trends

<http://smallbiztrends.com/2005/08/rising-tide-of-customer-defection.html>

"What you should know about visitor retention" Infographic © Maxpanel 2011

<http://blog.mixpanel.com/2011/09/16/infographic-what-you-should-know-about-visitor-retention/>

"The value of an existing customer" Infographic © visual.ly 2011

<http://visual.ly/value-existing-customer-0>

"50 facts about the customer experience" © 2010 James Digby, Return on Behavior Magazine

<http://returnonbehavior.com/2010/10/50-facts-about-customer-experience-for-2011/>