Smith Insights
Whitepaper

Customer Retention:

Seven strategies to keep customers happy and loyal

Smith

Every business loves to tout big gains in customer growth or large deals with new clients. What goes uncelebrated is the work of keeping all of those customers happy long term.

Retaining your existing, loyal customers can be the difference between basic subsistence and healthy profitability. Even modest increases to retention can improve profitability substantially.

In this whitepaper, the last in our series on Customer Lifetime Value (CLV), we will explore how to leverage your business's successful acquisition and engagement efforts to build an effective customer retention strategy.

We will explore how careful analysis, strategic program design and positive customer service create long-lasting customer relationships. Equipped with this knowledge, you will be able to fill your customer "pool" so that the level is always increasing, rather than fighting to refill the pool to the same level as customers leak out from holes on the other side.

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Through our ongoing series of whitepapers, we at Smith have examined the overall importance of Customer Lifetime Value (CLV) by looking at customer acquisition strategies and customer engagement.

As the third installment in our Customer Lifetime Value series, this whitepaper will explore the third main pillar of CLV: customer retention.

In our previous whitepapers, we reviewed the first two stages of a customer lifecycle—where they are first acquired and then engaged. But how long your business can maintain a relationship with its customers is just as important a measure of success.

Customer growth numbers are sexy from a business perspective: it's always more exciting to talk about how many new customers you attracted last quarter than to highlight how many previous customers simply stuck around.

By maintaining focus on keeping your existing clients ensures you address a core pillar of CLV: repeat customers are valuable customers. It takes a huge investment to win even a single new customer. If your business devotes time, money and resources to convince someone to make their first purchase from you, it's in your best interests to keep them coming back for more.

Retaining existing customers costs less than acquiring new ones. It's that simple.

Forrester notes industry research that acquiring new customers costs five times as much as retaining new ones.

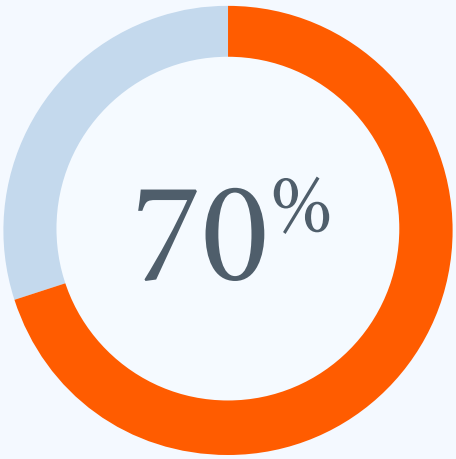
Other studies show that the probability of selling to a new customer is between 5% and 20%. But the likelihood of selling to an existing customer is 60% to 70%. That's anywhere from five to 14 times more likely.

Perhaps most remarkable is that these aren't ground-breaking new facts. Many businesses know this. And yet, they look at their acquisition costs versus their investment in obtaining repeat business and choose to focus on new customers anyway.

For many years, across many different pieces of research and industry surveys, about half of all businesses say they have a greater focus on customer acquisition than retention. Not even one-in-five companies are more focused on retention.

It's the trap of getting too enamored with those sexy customer growth numbers. The good news is that a small investment in retention can lead to huge gains in profitability.

The likelihood of selling to an existing customer is up to



If your churn rate is high enough that it cancels out any new growth your business experiences, you're going to throw good money down the drain.

So don't lose sight of your most valuable resource—your current, engaged and loyal customers—in pursuit of growth at all costs.

CR goals and KPIs

Measuring customer retention, and understanding how to integrate consistent customer numbers alongside new acquisitions, is vital to any business. You need to know the stability of your customer base, and you need to know how your repeat business is impacting your bottom line.

There are a few key performance indicators (KPIs) to focus on which will have a direct impact on CLV. The KPIs are:

- Churn Rate
- Retention Rate
- Repeat Purchase Ratio
- Customer Satisfaction Score (CSAT)
- Net Promoter Score (NPS)

Churn rate

Churn rate is a category of measurements that track losses in a given time frame. You can track customer churn—for the total number of individual customers you lose—or revenue churn—for actual dollar value lost as compared to previous time periods.

Churns can be counterbalanced by increases in other areas, but these basic calculations are effective at showing the basic picture of a company's churn.

Customer churn:

$$\frac{\overset{\text{Month start}}{1{,}000} - \overset{\text{Month end}}{925}}{1{,}000} = \frac{75}{1{,}000} = \boxed{\overset{\text{Customer churn}}{7.5\%}}$$

Revenue churn:

$$\frac{\overset{\text{Monthly recurring revenue at month start}}{\$50{,}000} - \overset{\text{Monthly recurring revenue at month end}}{\$44{,}000}}{\$50{,}000} = \frac{\$6{,}000}{\$50{,}000} = \boxed{\overset{\text{Revenue churn}}{12\%}}$$

Retention rate

Retention rate determines how many of the customers you had at the outset of a given time period stayed with you until the end of that period.

Customers at month end — New customers aquired

Customers at month start

$$\frac{280 - 30}{300} = \frac{250}{300} = 83\%$$

Retention rate

This means you retained 83% of the initial 300 customers. This number is lower than the actual total of customers at month-end, because 30 of those 280 customers were newly acquired during the month, not retained from the beginning of it.

Knowing your retention rate is important to understanding how effective a job you're doing at keeping your existing customers happy.

Repeat purchase ratio

Repeat purchase ratio (RPR) is a partner metric to retention rate (above). RPR shows you how many of your customers are coming back regularly. Keeping the same calculation as above, we see:

Number of returning customers

Total number of customers

$$\frac{250}{280} = 89.3\%$$

RPR

Customer satisfaction score

Beyond the raw data of how many customers you have kept month to month, determining ongoing customer satisfaction rates (CSAT) is important, too. If you can gauge how happy your customers are with your company—and why or why not that's the case—you will be able to use that information to keep doing what you're doing or to change course.

Measuring CSAT is typically done through outreach to customers themselves through surveys or other means.

To arrive at a statistical measurement that's useful, most companies use surveys with numerical scale questions that rate satisfaction, typically on a scale of one to five.

$$\frac{\text{Number of satisfied customer (scoring 4-5 on survey)}}{\text{Total number of survey responses}} \times 100 = \text{CSAT}$$

$$\frac{800}{1{,}000} \times 100 = 80\%$$

You can obtain CSAT scores at a variety of times, from immediately after an interaction such as a customer service call or an online purchase, or via e-blast surveys sent on a regular schedule. CSAT has pros and cons—it can be easy to measure and give real-world insights into your customers, but it can also be subject to bias (both positive and negative).

Net promoter score

In addition to CSAT, which measures an individual customer's feelings about your company, finding your net promoter score (NPS) will tell you about your customers' utility as ambassadors for your company. Essentially, NPS tells you how enthusiastic your customers are about communicating their experience with others.

NPS is typically based on a single question survey: "How likely are you to recommend Company X to a friend or colleague?"

The answers to this question are marked on a scale of zero to 10.

Not at all likely — Extremely likely

0	1	2	3	4	5	6	7	8	9	10

Within that ten-point scale there are generally seen to be three categories of response.

> 0-6: Unhelpful—this level of response indicates anything from tepid passivity to outright hostility on behalf of the survey-taker. These people are not likely to do business with you again, and may even actively discourage others from doing so.
>
> 7-8: Neutral—this response indicates moderate satisfaction, but not enough to count on the customer communicating their positive feelings to others.
>
> 9-10: Helpful—this is the response you should be aiming for. Customers who respond in this range are typically very happy with your company and can often be counted on as loyal and willing to evangelize their feelings to others.

To calculate your effective NPS, you perform a very simple calculation using only two of those three categories.

Number of Helpful from survey		Number of Unhelpful from survey		NPS
75%	–	20%	=	55%

Bringing it all together

Using all of those different calculations, you can determine the benchmarks your business will use to measure its customer retention, and how you will tailor your efforts to improve.

For example, if you want to focus on reducing churn, you could implement measures to keep more customers around for longer. If you want to improve CSAT or NPS, you could look more towards driving positive opinion. There are lots of different possibilities.

Growth or positive change in any one or more of these areas can improve customer retention. According to the Harvard Business Review, even a five percent increase in customer retention rates can improve profitability of a company by anywhere from 25% to 95%.

As we said earlier, if you've implemented an effective customer acquisition strategy in order to obtain a person's business, chances are you spent a good amount of money in doing so. Don't let that investment go to waste. Keep that customer happy. Keep them engaged and making more purchases. If you do, the ROI of your acquisition programs rises, and so does your overall profitability, all in line with increasing your CLV.

To improve your overall customer retention, there are seven aspects your business needs to understand and manage. These include:

- User behavior analysis
- Predictive (churn) analysis
- Personalization
- Loyalty programs
- Subscriptions
- Customer feedback management
- Customer service

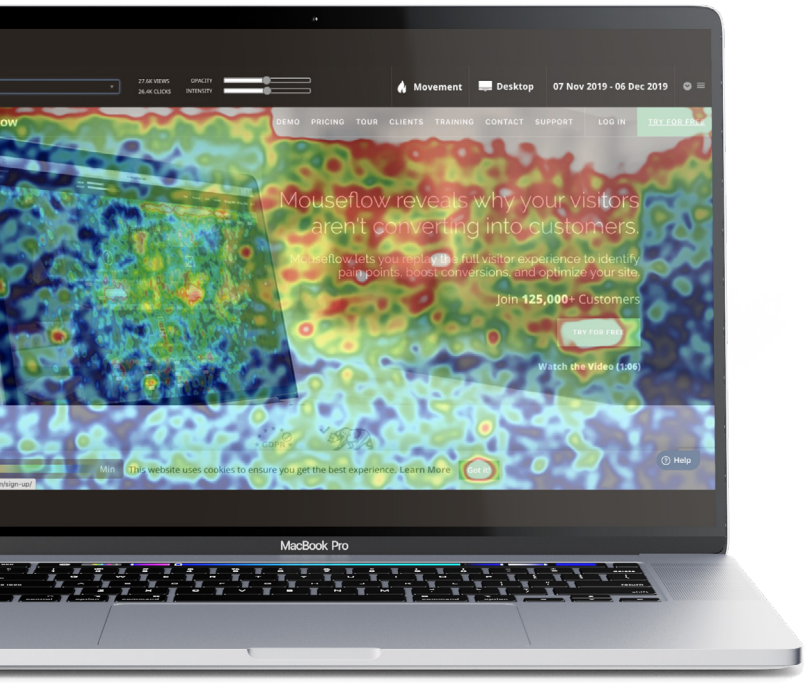
Each of these aspects can be central to establishing positive customer retention programs. Let's explore how.

User behavior analysis

As we've covered in our previous whitepapers, and as the old saying goes, knowledge is power.

If you know more about who your customers are, what they want, and, in this case, how they behave, your business will be better positioned for profitability. In our customer acquisition whitepaper in particular, we highlighted that active, robust customer research—through surveys, third-party data aggregation, competitor research or simple demographics—should be the very first step in building effective business strategies.

However, those early tools can only go so far, and not every user is going to go to great lengths to provide deep feedback or fill out an in-depth customer survey. So how do you go about learning about your customers without that level of active feedback?



With the right strategy and tools, it's simple to gather valuable qualitative information on your company's customer experience.

Tune into your channel

Your digital channel is your primary source of information. You can learn a great deal about user experience by tracking, recording and analyzing how customers interact with your site.

There are a range of analytics tools that record a user's entire session and all actions from the moment they land on your site until they leave. Some of our favorites are Mouseflow, Hotjar and Quantum Metric.

Mouseflow and Hotjar feature robust heatmapping functionality that show which areas of your digital channel attract the most attention from users. Hotjar also includes real-time or post-visit surveying capability to collect more direct information.

Quantum Metric focuses on what they call "continuous product design" through customer journeys, analytics site performance and finding points of friction on your site.

By recording a user's session on your website, and collecting these sorts of behavior data and analytics, you will be able to capture, identify and remove those possible points of friction. You can also find other issues with usability, your eCommerce technology or even accessibility roadblocks that could cause customers to get frustrated. Any one, or a combination, of these issues can be enough to make a customer either abandon your site altogether or defect at a later point if the troubles are persistent and not resolved quickly.

Building stronger CTAs

Recording user sessions will also help you optimize Clickthrough Rates (CTR) by testing and tailoring your Calls-To-Action (CTA). If you use A/B testing for different versions of buttons, links or visual cues, you will know more about which options your customers prefer. You will also be able to identify opportunities to streamline your channel's user experience and to improve the personalization to help your customers find and buy your products faster.

Not only is recording sessions effective in optimizing CTAs, but also in analyzing search terms. When you know exactly how your users search for products or content on your site, you are better able to customize your content marketing and merchandising strategies.

Bridging two streams

User behavior analysis is one part of an effective data collection strategy. It gathers quantitative data based on real-time actions and on the buying experience on your eCommerce platform.

Qualitative data—such as is collected from user experience surveys or customer reviews—as well as physical data from on-premise, off-premise or online devices, are the other streams you need to consider. Consult our prior whitepapers for more information on how to research or obtain this important data.

By marrying these multiple streams of data, you can most effectively optimize your user's experience, which will then have a direct correlation with improving your customer experience.

Predictive analytics

To continue looking at data, and how it can better inform your customer retention strategies, it's important we also review predictive analytics.

Predictive analytics differ from other sorts of data we introduced earlier, such as Churn Rate and Customer Retention Rate. Both of those sets of information are lagging indicators, which means you're using historical data—data about events that have already occurred—to calculate them.

Churn Rate and Customer Retention Rate are great at helping you measure the impact of your retention strategies over time, but they are not as much help in predicting which customers are likely to churn, and what you can do to try and prevent it.

Luckily, you don't need a crystal ball to see into the future to find this information. There is a way to predict, with a reasonable amount of accuracy, which customers may be likely to churn, allowing you to proactively mitigate churn risk. Anticipating and mitigating churn is helpful to both the top line and the bottom line of an organization.

Reading the currents

Churn prediction is the analysis of customer behaviors and attributes to identify which ones indicate the highest likelihood customer churn. In short, you can examine customer behavior and note a customer's churn propensity.

Research found that by utilizing a churn prediction model and equipping business managers with insights gleaned from the data, corporate banks reduced their churn by between 20% and 30%.

There are simple ways and more complex ways of predicting churn.

The simplest way of predicting churn is to calculate the churn rate at the customer cohort or micro-segment level. This means grouping customers by their age, length of relationship, the month they came onboard as new customers, their average order value, and so on.

Once you determine the churn rate for whatever cohort you choose, you can plot the churn rate over time to identify trends. You may even be able to pinpoint which point in time are customers most likely to churn, or potentially even more importantly, what specific events are most likely to influence or cause that churn.

For example, you may find that your churn rate spikes three months after a customer's first purchase. Or customers may churn if your most frequently purchased products are out of stock for an extended period of time.

After you have identified churn-causing trends or timeframes when churn will likely occur, you can arm your sales and marketing teams with the information they need to conduct customer outreach and proactively address the factors that will cause customers to leave. It is also valuable to assign customers a churn propensity score. Doing so will allow you to prioritize which customers to prioritize in your outreach efforts. Churn propensity ratings leverage historical churn data for specific cohorts and then groups customers with similar attributes together so that you can find who may churn at similar times.

The more complex way to predict customer churn involves every eCommerce enthusiast's best friend: math.

Automated customer behavior models and artificial intelligence tools can analyze customer profiles, as well as behavioral and purchase data, to identify which factors are the biggest red flags that start waving when a customer is about to churn.

Thankfully, you don't have to be a statistics whiz or possess a degree in artificial intelligence to utilize these models. Many customer analytics tools (such as Optimove) offer predictive customer behavior models that your organization can implement and leverage. These tools offer clear paths to ROI, as even a one- or two-percent reduction to your churn rate can have a material impact on an organization's profitability.

At its core, rate of customer churn can have a huge impact on your company's CLV. If you're not tracking, and then using tools like predictive analytics and churn analysis to understand and adapt, your company's customer retention strategy will be incomplete.

Personalization

We've discussed personalization a lot. It featured in both our customer acquisition and our customer engagement whitepapers. The main takeaway from both of those examinations boils down to this: people are happy when they feel understood.

If you want to earn a customer's ongoing loyalty, especially in today's hypercompetitive business landscape, you need to make them feel heard, acknowledged and validated. You need to make your customer feel like what they want really matters. One way to do that is to show them that you understand exactly what it is that they like and want. And you need to make them feel at home when they do business with you.

An effective personalization strategy exists throughout a customer's entire lifecycle with your company. From the first moment they visit your site, or make a purchase, you should be customizing and personalizing the experience to meet their preferences, wants and needs. This has been true for acquiring and engaging customers, and it is still true in retaining their business.

As we said above—and have been saying throughout our whitepaper series—knowing your customer is the most important factor. In the case of personalizing their user experience, it is imperative that you move beyond customer personas and user segments to customize your eCommerce environment based on each unique individual's profile data, browsing patterns, search

keywords, order history, wishlist and their overall CLV.

Every time a customer visits your site, they should see traces of their past behavior reflected back at them, making them feel remembered, welcomed and valued.

Two-way benefits

Personalizing a customer's experience not only creates a more positive experience for them, but also offers opportunities for you company to present them with more products they are likely to purchase and to test, measure and refine additional data points.

Gathering additional data on what triggers cause customers to return on an ongoing basis is invaluable. It not only helps engender further loyalty (and revenue) from that one customer, but the findings can also be applied across your customer cohorts.

Learning exactly which incentives and triggers were most effective—price reductions, low inventory alerts, exclusive access to new products, personalized time-sensitive promotions, etc.—helps narrow your retention efforts to what really works.

You should also be leveraging these retention efforts from the very beginning of each customer relationship. Successful eCommerce businesses map ideal customer profiles onto new customers as soon as possible, allowing them to be placed into appropriate segments and targeted by retention strategies quickly, moving customers through the funnel from new acquisition to valuable repeat customer.

A deeper B2B experience

For B2B companies, it's important to think about going even further. If your business relies on repeat business from major clients, your retention strategy should include customization of your website experience featuring the customer's brand and key preferences. Every time your client logs in, they should see their own familiar brand and logos alongside yours, and they should find custom product navigation shortcuts where they can access their most frequently purchased products quickly and easily.

More than a custom experience

Above and beyond creating a personal eCommerce experience for customers, you can also leverage each individual's past interaction and purchase data to offer personalized promotions. By offering tailored discounts or access to products and services that are highly relevant to the customer, you are much more likely to see repeat conversion and longer retention.

All of this is not as difficult as it may sound. Most eCommerce platforms already feature the ability to create product associations and leverage order history and search term analysis. This means you can home in on the products that a customer is interested in and then offer a personalized promotion, rather a generic one—a promotion tied to a recommended product or that offers exclusive access. Through this personalization, you can continue to cross-sell and up-sell your customers in ways that are relevant, desirable and, most importantly, don't feel like a pushy and aggressive sales tactic.

You can also combine personalization with other incentives, such as loyalty programs—our next topic—which will truly show your customers that you know them, understand their needs and greatly value their relationship.

Loyalty programs

The earliest versions of customer loyalty programs began in the late 18th century, when merchants began handing out small copper tokens to their customers that could be collected and redeemed for merchandise at a later date.

Fast forward to the mid-twentieth century and the copper tokens became cereal boxtops, barcodes, coupons and, eventually, programs like loyalty cards (punch 10 sandwiches and the 11th is free) and frequent flier miles.

The approaches to loyalty programs have changed, particularly as more and more business is being conducted online, but in today's eCommerce environment, a strategic and well-planned loyalty program can be a fantastic way to incentivize positive behaviors by rewarding customers who are loyal to your company.

We have explored this topic once before, through a conversation between Smith and Annex Cloud co-founder Al Lalani, which you can see in its entirety here.

Our main takeaway in that piece was that in times of heavy disruption—and if nothing else, the last two years can certainly be called disruptive—customer loyalty is key. As well, it's also vital to view customer loyalty as more than simply "earn and burn" repeat transactions. Building engagement, affinity and active loyalty with customers, where you find them engaging with your company's social media channels, or even referring friends to your products, is where you find the true sweet spot in customer loyalty.

How do you go about building that type of loyalty?

We find it's a combination of several ideas. (And this list is by no means exhaustive.)

Discount programs

Perhaps the simplest of loyalty programs, discount programs cut the price of products by a percentage or dollar amount. These types of programs can have the broadest appeal, because customers almost universally want to pay less for what they buy.

Businesses benefit by gaining additional repeat business if customers grow accustomed to paying a little less for the same or similar products at your company rather than your competitors. Even if you take a small hit on some purchases, the uptick in loyalty and retention often balances out the hit. Some businesses charge a fee for their discount programs, while others offer them simply for signing up.

Cash back or rewards programs

Similar to discount programs, programs that offer cash or rewards for purchases are popular with some businesses and customer segments.

"Gap Cash" is a cash back program by clothing retailer The Gap where customers receive coupons towards future transactions on a scale relative to purchases made—$10 back when you spend at least $50 and $20 when you spend at least $100, or similar. Outside of the retail space, Capital One has a well-known program where all purchases earn a small percentage of money back as a reward.

Points programs

Loyalty programs built around the accrual of "points" have proliferated greatly in recent years, with businesses across grocery, retail, electronics, fast food and more taking up the charge.

These programs benefit from taking advantage of our very human desire to collect, accumulate and build a "high score" in what are almost gamified ecosystems. Companies can also encourage specific behaviors through timed promotions—offering bonus points for specific purchases on specific days, for instance—to drive purchases.

Referral programs

For particularly active and engaged customers, creating a referral program, where customers receive a personalized referral code to recruit other customers and thereby earn added bonuses, can be a very positive retention tactic.

Through this type of strategy, your company not only can create stronger relationships and retention with your high-value customers, but also generate new customer acquisitions without needing to invest the traditional significant volume of resources into each capture.

Priority or VIP access programs

Status has its privileges. Many customers like the feeling that they belong to a rarefied tier within the companies with whom they do business. By creating a special cohort of customers who enjoy access to special priority services, such as free shipping, simplified returns, extended warranties, etc., you can incentivize customers to reach this higher level. Conditions for a priority status could involve a certain number of purchases during a period of time, an annual fee, length of relationship, or any other sort of requirement your company deems appropriate.

VIP status confers exclusivity, which can also be enacted through giving these VIP customers additional privileges, such as access to VIP-only products—customizations, premium-level products not sold to other tiers, etc.—or by offering white glove treatment either in-store or through online or call center services.

B2C loyalty options are extensive

These five loyalty options are just some of the tools at your disposal for B2C businesses. We strongly recommend building a loyalty strategy if you don't offer one already.

Loyalty-focused companies have found that customers enrolled in a loyalty program visit a company's site 35% more frequently. That's a boost of one-third that you could be leveraging from your most valuable customers.

There are even more B2C loyalty options that can be useful, such as free sample programs, partnership programs, giveaways, building online communities, and more.

B2B loyalty opportunities

While not as ubiquitous as in B2C companies, B2B is seeing steady increases in the prominence of loyalty programs. But there are some key differences.

As a general rule, B2B buyers are more pragmatic and focused than B2C consumers and are rational to the bone. They are looking for the lowest-cost/highest-value opportunities they can find, and are often beholden and accountable to a host of stakeholders for every purchasing decision they make.

B2B loyalty programs must be more personalized and strategic because the volume of business for single clients in the B2B world is much greater than in B2C.

When assessing criteria for B2B customers, it is vital to consider:

- A customer's short-term and long-term buying potential
- A customer's buying habits
- The full roster of stakeholders that need to be accounted for in a relationship, and how to activate and motivate all of them
- Value propositions—as mentioned, B2B customers are most often very focused on extracting maximum value from their purchases, so your value propositions need to be crystal clear
- Industry-specific trends and preferences for loyalty programs

B2B loyalty programs are a prime opportunity to provide value-added services and further deepen relationships with valuable clients.

These services can include:

- Conducting co-marketing activities, such as partnering with major customers at trade fairs
- Offering manufacturer rebates that clients can pass on to their end customers
- Providing personalized services such as priority order processing and a personalized buying experience with a client-branded eCommerce website

B2B loyalty programs also aren't all necessarily created equal. Companies can implement tiered incentives offering increasing volume-based discounts, or hold inventory in a guaranteed reserve for major client buyers. And don't underestimate the power of a referral program in B2B—companies love to build relationships, and if you create an added incentive to connect your business to important client connections, it can open pathways for new revenue opportunities that you had never considered.

The bottom line

Loyalty programs are no longer a "nice-to-have." Customers both in B2B and B2C expect to have their loyalty rewarded. But you don't need to go all in from day one. Be strategic, build test programs and experiment to find what works best for you. Use your learnings to hone your loyalty program to become exactly the kind your customers will find most valuable.

Subscriptions

Subscriptions have long been a method to lock customers into a pattern of repeated, loyal business. But we're long past the days of subscriptions being primarily connected to publishing and cable television. In today's highly connected economy, enabled by software and the proliferation of rapid delivery services, customers can subscribe to everything from groceries to prescriptions to toilet paper.

By choosing to subscribe to a product or service, customers are typically looking for:

- **Recurring consistency**—whether the appeal is convenience, price (subscriptions typically offering a small discount per unit versus buying as-needed), or some other factor, the regularity and ease of signing up once to get a consistent delivery or replenishment offers peace of mind
- **Flexibility**—a companion element to consistency, customers also typically expect to be able to pause or amend their regular subscription, without interruption to their ongoing service
- **Relevant products and ease of discovery**—customers not only find what they like and choose to have it on regular supply, but they also enjoy the added benefit of having new products or services recommended to them based on their established tastes; for example, when a wine club subscription offers them a new bottle that fits into their preferences from previous orders

For businesses that offer these types of subscriptions to customers, maintaining trust—that you will deliver a consistent quality, on time, and with an eye to continual improvement and innovation—is key.

The subscription category is more volatile than other retention categories since many of these purchases and programs are from a customer's discretionary spending. Owing to this factor, ensuring your subscription program stays relevant and fresh is paramount.

Growing revenues and managing churn

It's been said that we have entered a "subscription economy," namely because of the uptick of services such as those mentioned above, not to mention many more. The past decade has seen incredible growth in companies that offer subscription plans for their products. To be precise, Zuora—a leading subscription-based billing platform—found that the subscription economy grew by 435% between 2012 and 2021, and the trend has only continued.

Zuora's biannual study, the Subscription Economy Index, also revealed in 2019 that Internet of Things (IoT) and manufacturing subscription companies surpassed S&P 500 industry benchmarks by more than five times—18.2% versus 3.6%. These same companies also grew their average revenue per account by 14.3%, well above the average of 6.5%.

Subscriptions also, by their nature, help companies manage and mitigate churn. By definition, subscriptions are an active choice for a customer to make when they want to do repeat business. Retention is baked in. However, some churn is unavoidable, regardless of the product or business. People will cancel or payment methods will fail and not be renewed. Some industries see higher churn than others—for instance, media and publishing see higher churn (37.1% and 28.2% according to Zuora) than business services and manufacturing (16.2% and 20.4%).

Those churn rates are good news for B2B organizations looking to build a subscription platform. Zuora's Carl Gold, Chief Data Scientist, attributes the specific nature of B2B subscriptions to improving their "stickiness" and reducing churn. B2B companies have the advantage of being able to tie mission-critical functionality into a subscription service, which means that once a customer makes a choice to subscribe to a service that is "deeply embedded" into their operations, it increases the likelihood of long-term retention.

This finding offers insight for B2C companies as well. It speaks to the idea that regardless of what business you are in or what products you offer, if you can create a value proposition for what a customer sees as an essential item, they are substantially more likely to be retained over the long term through a subscription model.

IoT and manufacturing subscription companies surpassed S&P 500 industry benchmarks by...

5x overall growth (18.2% vs. 3.6%)

and

2x account growth (14.3% vs. 6.5%)

According to **Zuora**

Customer feedback management

If you know how to listen, customers are always telling you exactly what you need to know to retain their business. They often aren't shy about telling you exactly what they like, and sometimes more passionately, what they dislike.

How then do you deal with all this information and convert it into actionable insights to apply to your retention efforts? Through Customer Feedback Management (CFM).

CFM is the process of collecting, processing and acting on feedback collected from customers through online survey tools and offline customer interactions. The process can be broken into stages: Ask. Analyze. Act. Follow up.

CFM is in the same family of processes with the customer research you undertook during customer acquisition, or that you continue to perform for customer engagement. It's more research, but this time focused specifically on feedback around the experiences and processes that form your customer's interactions with your company.

It is also part of effective customer service as a whole. CFM lets you identify and react to issues or concerns that impact client satisfaction, and to solicit input on future products and services that customers will find valuable. Without adequate CFM, you might miss issues that are harming your business; and, as Forbes points out, dissatisfied customers will, on average, tell 16 people about negative experiences. This outcome can be hugely detrimental, because, as Forbes also says, it takes brands an average of "12 positive experiences to repair the damage caused by a single unresolved negative one." That's a long uphill climb that can be avoided with stronger CFM and pre-emptive corrective action.

If your company doesn't have a structured way of to collect and react to customer feedback, your ability to address issues as they arise will be compromised. CFM is specifically a good way to gather the information needed to benchmark your CSAT score, as explained earlier. Tools to engage in CFM include customer satisfaction surveys; analyzing voice calls and online interactions with your call center and help desk through natural language processing tools; and engaging in one-on-one conversations with customers in-person if

and when possible. You can then take those benchmarks and easily gauge how effective your retention efforts are by monitoring any improvement to your CSAT score as you implement different tactics.

Using outreach the right way

It's important to be strategic in your timing for collecting information as well. Surveys must be deliberate and tactical—deployed at the right time, asking the best questions in the most useful way possible. You need to be reaching out to customers not only often enough that you're getting current data at all points in your business cycle, but also not so frequently that you overload your customers, creating a negative experience.

And don't stop at collecting feedback from happy, engaged customers only. Ask questions of visitors who may leave your site without purchasing. Solicit input from customers after they have received their products to evaluate their satisfaction levels up all the way to the very last step.

HappyFox has a great piece on using customer surveys effectively. In brief, they recommend:

- **Defining your objectives and tailoring the feedback process to meet them**—if you're trying to track a CSAT metric, ask questions to get that data; if you're looking to gather feedback about a specific product or program, zero in on that
- **Use multiple channels**—every touchpoint your company employs is an avenue for feedback, so be sure to utilize everything at your disposal, including social media, your website, email surveys, mobile apps, email blasts, in-store or on-site outreach, sales reps making direct contact, and so on, however your company does business
- **Categorize the feedback and take action**—once your customers have responded, sort their feedback into appropriate buckets and then immediately generate a plan to demonstrate that you are listening and take their input seriously.

There is also another common and vital element, and yet one that somehow many businesses overlook or ignore: taking action on the feedback you collect.

Putting input into action

Too often, when we as customers offer feedback through forums like an online survey, it feels like we are speaking into a void. We offer our thoughts and input as we are asked to, but nothing is ever done. Nothing changes.

One sure-fire way to improve your relationships with customers—and thereby increase their likelihood of sticking around—is to show that you take their ideas seriously and that you value what they say. Creating a feedback loop—to assure the customers who take time out of their busy schedules to provide you with feedback about your company—helps customers feel heard and respected. Show customers you're listening and show them you're taking decisive action to improve. It's harmful to your brand if you do not effectively act on customer feedback, as that inaction will only increase their frustration level and push them to defect.

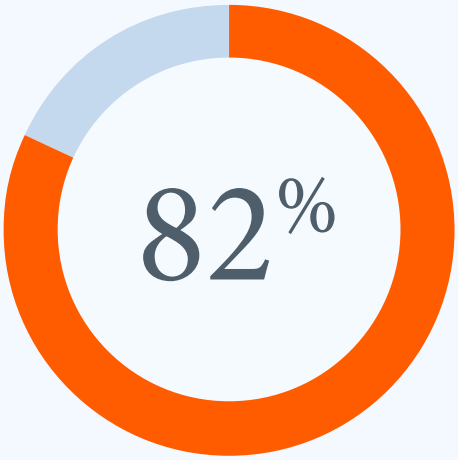
As you create these outreach tools, tailor your questions and language based on customer segments. Different cohorts put value on different things.

Interpreting this information doesn't have to be a challenge either. There are many tools that help you map customer feedback to business goals and identify gaps in customer service and your product and pricing strategy.

Customer service

Building effective methods to gather and analyze CSAT data and designing appealing subscription or loyalty programs are fantastic ideas for companies looking to improve retention. But something feels like it's missing.

How do truly successful businesses—of all shapes and sizes—create long-lasting, loyal and passionate customers? All other things being equal (quality of products, etc.), what makes the most important difference is how a company treats their customers.



of consumers have stopped doing business with a company because of bad customer service.

According to **Zendesk**

It's an old cliché, but it's true: treating people with respect and courtesy will go a long, long way.

Let's look at the numbers that prove it.

- 82% of consumers have stopped doing business with a company because of bad customer service. (Zendesk)
- 11% of customer churn could be avoided if the business simply reached out to the customer. (Kolsky)
- 66% of B2B customers stopped buying after a bad customer service experience. (Zendesk)
- 52% of B2C customers stopped buying after a bad customer service experience. (Zendesk)

We could go on. But all you really need to know is that there is stat after stat after stat that shows the same thing—bad customer service loses customers.

It should be obvious. We all like to be treated well, and yet too often businesses lose customers to bad—and preventable—experiences.

Great customer service is a brand differentiator and an important way to continue to establish trust and foster relationships with customers. Great customer service means you make it as easy as possible for a customer to resolve a problem, get an answer to a question, get help with an existing or a new purchase, or initiate a product return from any touchpoint that the customer interacts with. It means you equip your employees at every one of those touchpoints with the skills and motivation to make positive customer experiences the number one priority.

Great customer service also means providing the information and tools for customers to serve themselves. Any data—either account data or support information—that your customer service agent has access to should also be available online for your customers to use to self-serve. You need to make it as easy as possible for

customers to resolve problems, answer questions, get help with new or existing purchases, or initiate returns from any touchpoint—online, mobile, phone call, face-to-face, or anywhere else.

More than a friendly smile

"Customer service" also means more today than it used to. Before eCommerce, when virtually all business was conducted face-to-face or over the telephone, businesses didn't have to be as concerned about providing a range of channels. Research shows that 90% of millennials prefer smartphones for customer service and support interactions. This finding points to the need to have an omnichannel customer service approach that goes beyond the traditional call center model.

It's important that businesses have a range of resources available for customers to allow them to meet their needs in the way they choose. Resources and capabilities like a searchable online knowledge base and online customer service software (such as live chat) are now table stakes. You simply can't choose to go without. Indeed, businesses can even improve ROI for their customer service approaches by utilizing a range of channels. This article from Call Center Helper demonstrates how online customer service can save costs when compared to a call center.

Online services also give businesses greater troubleshooting capabilities than regular customer service. Some online service programs offer companies the ability to take over a customer's session in real-time to assist them through their browsing or purchase path, or to take corrective action for software products. This is a great way not only to converse with a customer, but also to address and resolve the issues the customer is having with placing an order or using a product.

There are plenty of offerings for companies to utilize. From tools that help your staff provide real-time customer support to automated or AI-driven support systems, you can always find a perfect solution for your company.

At the heart of any effective customer service strategy, there must be a unified view of all data linked to a customer. Nothing can live in silos, kept under guard by one department of your company. Everything must be centralized and universally accessible. This accessibility helps your CSR to have the information at their fingertips quickly and easily, and to respond in a timely manner.

The stats are scary. Make sure you prioritize robust, omnichannel customer service, or you risk creating poor experiences that can have dramatic negative consequences.

Keep customers happy — keep customers for life

Smart companies make customer retention a top priority. A strong customer retention strategy leads directly to greater profitability and higher CLV.

This concludes Smith's whitepaper series on CLV. We hope you have learned a lot about improving your company's customer value. If you have any questions about how to implement any of the tactics explored in this whitepaper, don't hesitate to reach out and see how Smith can help your business today.

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