



How to Retain Customers as Part of Your Growth Strategy

By Paige Chadwick

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Introduction: Often Neglected, Retention Marketing Costs Less and Generates a Better Return

For startup companies, it's all about acquiring new customers as fast as you can. Established companies, too, seek to grow revenues by expanding into new markets and introducing new products. Likewise, [PE-owned firms](#) increasingly focus their energies on growth. Often overlooked, however, is a marketing approach that should be a key part of all their growth strategies, retention marketing.

Retention marketing costs less than traditional marketing efforts and delivers a higher return on investment. Why? Because it's easier to contact and persuade existing customers to stay or re-purchase than to find new ones. A 30% annual growth in new customers sounds terrific but fails to drive impressive bottom-line performance if 25% or more of existing customers do not re-subscribe or spend more. Now, if 95% of existing customers re-up, that 30% customer growth would translate to real bottom-line growth.

So, now that you know it's important, what is retention marketing and how do you go about creating an effective retention marketing program? And, are there proven retention marketing strategies that you can adopt quickly to maximize growth? Fortunately, this short but powerful eBook is packed with answers gained from hands-on experience in the trenches with companies just like yours that are seeking to [maximize growth](#).

With 20+ years of experience managing high-performing marketing organizations, author and Chief Outsiders Fractional CMO, [Paige Chadwick](#), shares insights and relevant examples acquired along the way. When you finish, you'll know the basics of retention marketing, how to develop a retention marketing program in your organization and when to start it. You'll also come away with several proven retention marketing strategies that you can begin to implement right away.

Ready to maximize your growth by retaining more customers? **Let's get started.**

Chapter 1: Why retention marketing should be part of your growth strategy



If you are losing customers at almost any rate, you are jeopardizing your business growth strategy. Every lost customer creates a hole that you must fill before you can claim any new customer growth. The more customers you churn, the deeper the gap before you can realize any revenue or profit growth.

What's more, acquiring a new customer costs more than keeping an existing one. Some say as much as 25 times more, with one of the most conservative estimates from Invesp1 at 5 times more. Regardless, retention marketing is more affordable and has a better return than acquisition marketing.

There's a large expense burden on acquiring new customers. The fewer new customers you have to gain to grow, the lower your acquisition marketing costs.

Losing customers has other repercussions, often not measured or even measurable. Every time you lose a customer, you risk losing a brand advocate. Depending on the size of your market and industry, this can have devastating long-term consequences on your reputation and brand. There's no reason not to invest in retention marketing.

What is Retention Marketing?

Less expensive than acquisition marketing, retention marketing is focused on your customers. It includes the activities associated with retaining customers and/or increasing customer value through re-purchasing or up-selling products and services. Retention marketing isn't meant to replace acquisition marketing, but to work alongside it as part of your growth engine.

While you need both acquisition and retention marketing, you will get a better return from investing in retention marketing to keep customers than in acquisition marketing to acquire new customers. Most importantly, before engaging in retention marketing, you should know why your customers leave.

Why is it less expensive?

You know exactly who your customers are, how to reach them, and what products they have. You possess information about the operation of your product that is relevant to them. You should also know their unique needs related to your product or service, and therefore what new products or services might interest them.

The methods of reaching customers are less expensive than reaching prospects. Email, in particular, is perhaps the highest performing tactic for reaching existing customers—and it isn't expensive. And because they are your customers, you have permission to contact them—within reason.

Engaging customers on your social media channels also creates a low-cost communications tactic. Although these tactics are low cost, without a strategy for using them well, you risk the customer relationship and goodwill.

Customer Engagement vs Retention Marketing

Customer engagement is the sum of the interactions between a customer and a brand. Highly engaged customers typically buy more and become brand advocates, helping the brand become even more successful. Positive customer experiences can lead to highly engaged customers.

Retention marketing includes both customer experience and customer engagement, but there's more. Retention marketing is also how you create communications and experiences that lead to improved customer engagement.

Retention marketing considers your customer segments, their needs and communications requirements, their products and business needs, and develops a strategy to address each of these segments with appropriate communications or interactions. And by “appropriate,” I mean relevant and timely at a frequency desired by the customers.

Southwest Airlines, among other great retention marketing strategies, monitors customer website activity and responds accordingly. If I search to get pricing for flights to L.A., but don’t book a flight, I will get an email from Southwest the very next day encouraging me to book my flight to L.A. before the promotional rates expire.

It’s worth noting that even great retention marketing can’t replace a good product or good customer service. It can complement these, however, and help transition customers into brand advocates.

How to Measure Retention

What is your retention rate, the percentage of customers returning or engaging with you? How do you measure it, and how do you know if it’s “acceptable” for your industry?

Measuring retention in a subscription model is straightforward: What percentage of your customers renew at each interval? Anything over 90% would be considered good in most industries, with room for excellence as you surpass 95%. Anything under 75% would likely be concerning.

The realities of business (e.g. business model, industry activity such as mergers and acquisitions, product lifecycle, etc.) could account for up to 5% attrition or more, depending on the industry dynamics.



If your business isn't based on a subscription model, how do you measure retention? It may vary from business to business, but you could track repeat purchases, refills, re-orders, even automobile oil changes to gauge your success at keeping customers. Without repeat purchases as a gauge, look for some aspect of engagement that you can measure.

In the consulting services industry, for example, it would be worthwhile to measure customer satisfaction at the conclusion of the engagement, the percentage of clients that returned for additional work, even over long periods, and engagement with company newsletters and events. If a consulting firm never had a repeat engagement, that would certainly be concerning.

When to Start Retention Marketing

I've talked to start-up companies who are so focused on acquiring new customers to build the business that they don't think they need to be worried about retention. So, when is the right time to be concerned about retaining those customers?

I'm going to say, even for start-ups, if you aren't seeing repeat business at a high level, you should be concerned and discover why. You also should focus some of your energy on retention marketing. If not, you're placing an undue burden on your acquisition marketing budget and its sustainability.

¹Invesp, Customer Acquisition Vs. Retention Costs – Statistics And Trends, <https://www.invespro.com/blog/customer-acquisition-retention/>



Chapter 2: Developing a Retention Marketing Program



As we learned in Chapter 1, retention marketing encompasses the activities associated with retaining customers or increasing customer value through re-purchasing and up-selling products and services. It's anywhere from five to 25 times less expensive than acquisition marketing—and done well can reduce the expense pressure of acquisition marketing to grow your business.

Retention marketing should be a part of any business growth strategy.

Retention marketing involves communicating with your customers in a way that helps you nurture and keep them. This should be an ongoing priority for the business with buy-in from the top throughout the entire organization. After all, you've all worked hard and spent a lot of money to acquire those customers.

How to Develop a Retention Marketing Program or Strategy

Step One: Know Which Customers You Want to Retain

This looks deceptively simple. You want to retain all of them, right? Yes—if you have unlimited funds and time—or, if you don't have good customer data. With good data, however, you may uncover customers with varying degrees of profitability and likelihood to retain. Thus, you create a prioritization of customer segments to target if you have limited resources.

Dig into your customer data to answer these kinds of questions:

- Which customers spend the most? And the least?
- Which are most likely to renew or purchase more products?
- Which are least likely to renew or purchase (the ones most vulnerable)?
- How do these dynamics affect the profitability of these customers over time?
- Do you discount in your purchase process? How does this affect profitability?
- Which customers use the most resources (customer service staff, for example)?

You may have customers that don't spend a lot but renew their license again and again. Or customers that place huge initial orders, taking a great deal of your manpower, and never purchase another thing. The profitability of these may vary greatly.

One of the greatest benefits of these insights into your customers is the implications for your acquisition marketing efforts. You may learn how to focus your acquisition efforts and dollars on the segments most likely to be profitable and most likely to retain.

We learned with one consumer client, for example, that the repeat purchase rate for ages 25-30 was much lower than other segments and with higher initial acquisition costs. This became a lower priority segment.

All this takes good customer data—and customer data technology. However, this isn't as expensive as it once was, and what you learn will help you ensure that you are acquiring and maintaining profitable customers.

Step Two: Plan What You Want to Say to Your Customers

At another consumer client with an annual subscription model, we learned that a customer service phone call made 45 days before renewal increased renewal by more than 10%. And all we did was check in to thank them for their business and to see if they needed anything else.

Your desired messaging will likely vary by customer segment. That's why you need a plan that addresses the key messages you want communicated to each of your customer segments and when. It should anticipate their needs and concerns based on your understanding of the product or service lifecycle.

For example, are there specific issues to be considered prior to an upgrade? If you can educate your customers—at the right time—as to what those might be, you are helping the upgrade process considerably. If done well, you are positioning your company as the expert and their partner, creating goodwill to help swing the pendulum in your favor at the time of the upgrade decision.

In many cases, the renewal or repurchase decision process begins even before the original sale is completed.

So, begin this nurturing process immediately. The more relevant to the unique needs of the customer, the more successful the communication will be. That's why segmented messaging by whatever criteria is relevant for your business is so important.

Step Three: Develop Your Communications Plan

With your detailed key messages platform and timing strategy in place, all you need to complete a comprehensive customer communication strategy is a plan for how to deliver your messages.

What is the optimum communications channel—sales calls, email, text, social media posts, newsletters, user events or meetings, webinars? It's likely not just one of these, but a combination of channels optimized to deliver the right messages at the right time in the right way to earn your customers' attention.

The frequency and content of communications should be carefully considered. The last thing you want to do is abuse your customers' goodwill via overuse of email or other channels, especially with messages that are not relevant.

Email is particularly susceptible to abuse because it's so easy and inexpensive. Once you've abused this channel, it's almost impossible to recapture.

The resulting plan should be a calendar of proactive communications delivered by a centralized team that can track and measure engagement, response and other measures of success. With a good CRM system, customer interactions can trigger communications and adjust the sequence or timing. Testing and continuous refinement should be part of the process.

Step Four: Gather Customer Feedback

You can ask your customers for feedback on just about anything from the product to the sales process to your ongoing communications with them. Ask regularly, not necessarily frequently. Be clear about what you want to know. And demonstrate that you're listening and responding to feedback. This will help you to create engaged customers.

There are many ways to gather the feedback. Ensure that you have the right audience for each of your requests. And consider multiple methods to ensure you're getting valuable and balanced insights. It doesn't take long to develop a multi-faceted feedback loop and reporting cadence.

Now that you have an effective retention marketing program, you'll enjoy a long list of benefits, including reduced acquisition costs, increased repeat sales and more customers advocating your brand. If for no other reason, retaining customers for the richness of feedback is well worth the investment of time.

Chapter 3: Winning Retention Marketing Strategies



Retention marketing isn't meant to replace acquisition marketing, but to work alongside it as part of your growth strategy. The activities associated with retaining customers and/or increasing customer value through re-purchasing or up-selling products and services, is less expensive than acquisition marketing.

While you need both acquisition and retention marketing, you will get a better return from your investment in retention marketing and create customers for life.

In Chapter 2, we discussed how to develop a retention marketing program that specifically addresses the needs of your business. But are there proven retention marketing strategies or tactics that should be considered regardless?

While not all the strategies below are applicable to every business, they are proven strategies used by the world's best brands. Together they will provide a good starting point for consideration as you develop your long-term retention marketing plan.

1. Act on Customer Feedback

This is the most valuable—and often forgotten—tool at your disposal in retention marketing. You can ask your customers for feedback on just about anything from the product to the sales process to your ongoing communications with them. Develop a process for asking customers regularly for feedback and for reporting this information throughout your organization.

Demonstrate to your customers that you're listening by responding to their feedback and implementing their best suggestions into your business practices.

Especially in B2B environments, you may consider a customer advisory panel as one of your feedback strategies. These well-chosen customers would be the ones to help you refine your product or service offering and even alert you to potential problems before they start brewing. This is also a great strategy if a big portion of your business comes from a few key players. Involving those key players in your business can develop loyal brand advocates for you. The key is your ability to act on their input—something to consider carefully before implementing this type of strategy.

2. Start Retaining with Good Onboarding

The process of helping your customers install or implement your product and optimize all its features will set the stage for your long-term relationship. The more complex the product, the more important this is.

Rather than leaving your customers to their own devices, teach them all there is to know about using your product to meet their goals. This involves an in-depth understanding of the process your customers go through to implement your product in their business. Also, customize training and communications materials to meet their needs during the onboarding experience.

3. Understand your Customer Lifecycle

While the early stages of the customer lifecycle deal with awareness, preference and purchase, retention marketing addresses the product and customer experience that can lead to advocacy. After successfully purchasing and implementing your product, what are the issues they will need or want to address next?

Putting yourself in their shoes, understanding their business, and developing tools and communications to help address their issues will create loyal customers for life.

A retention marketing plan addresses key triggers and needs along the customer's lifecycle—whether it's a product or service. It delivers customer communications that address needs along the way, always in the way that's most relevant for the customer.

A newsletter or blog are great communications tactics for delivering relevant and timely messages. Both can be automated easily, making them a particularly cost-effective way of reaching customers on a regular basis. Many companies today also use short-segment video to provide customer education.

You can measure the effectiveness of these types of communications by including response opportunities, whether these are purchase opportunities or requests for more information. In your ongoing evaluations to hone your communications plan, be sure to monitor for satisfaction with relevance, quality, timeliness and frequency.

4. Reactivation

If you have customers that are no longer using or engaged with your product, consider a reactivation campaign. This is particularly effective with digital products and industries as it is relatively easy to create a series of communications via email, social or targeted display that invite your customers to re-engage with your product.

Retailers and even nonprofit organizations use reactivation campaigns all the time: "We haven't seen you in a while and we miss you." Similar tactics also can be implemented in other industries, and in B2B as well as B2C environments. As with other tactics, it's important to track results to continuously improve your success.

5. Reward Customer Loyalty

Developing methods to reward long-term or frequent customers may be appropriate for some businesses, if it can be done by leveraging volume or consistency without jeopardizing profitability. Sometimes referred to as loyalty programs, these incentives should be considered carefully before offered.

There are many big-name examples of loyalty programs gone bad, those that negatively affected profitability as well as customer loyalty. And there are so many consumer loyalty programs today—most of which were originally launched with loyalty cards—that the cards themselves became fodder for late night comedians.

However, if you're one of those businesses where 10% of your customers generate the majority of your revenue, you may want to develop a program that ensures that they are happy, loyal customers.

6. Competitive Strategies

In both B2B and B2C, it helps to monitor your competition and adjust your retention plans as necessary. You never know when a new competitor will pop up or change tactics that may put one or more of your customer segments at risk.

With a fitness industry client, we recently identified a new competitor within the three-mile sweet spot of customers. Industry intelligence alerted us to the trend for that competitor to offer deep discounts for membership as part of their grand opening activities.

Knowing that they would be targeting some of our customers, we identified those customers for which the new competitive facility would be closer than ours. Then we developed specialized communications to those members for the six months prior to the grand opening to facilitate greater engagement and satisfaction—and most importantly, to highlight the value and key differentiators we provided.

The same type of activity can occur in B2B environments when a new competitor enters the market or, in the case of a software client, a regional competitor became more aggressive with pricing within their territory. Working closely with sales teams to monitor competitive developments—and then developing plans to address them—can pay nice benefits in retention.

7. Customer Experience is King

Sometimes there's nothing more effective in customer retention than good ongoing customer management practices. It would be remiss to not call this out, since no retention marketing program could possibly overcome poor customer experiences. Customer retention programs ideally will complement positive customer experiences and help create new ones.

Today, the range of possibilities to evaluate and create customer experiences is quite broad, from good old-fashioned principles like being nice and managing expectations to sophisticated customer experience mapping. All are worthwhile to ensure that you keep the customers you worked so hard to acquire.

Getting Started

Now that you know how retention marketing is less expensive and provides greater returns than traditional marketing, there is no reason not to do it. In three informative chapters, we've shared the rationale for making retention marketing part of your growth strategy, how to develop a retention marketing plan and some winning retention strategies.

Are you ready to get started? Please contact Paige Chadwick at PChadwick@chiefoutsiders.com for a free consultation.



www.ChiefOutsiders.com

PChadwick@chiefoutsiders.com

855-777-2443