



## CUSTOMER RETENTION AND RECOVERY

### General Statistics and Findings

1. Acquiring new customers is usually 5 to 15 times more expensive than the cost of retaining and servicing existing customers. We refer to this as the “cost of acquisition.” Why is it so expensive to acquire new accounts? Because a lot of time (for example, multiple sales calls), money (advertising and other expenses), and other resources (such as people to make joint sales calls) are needed to win a new account.
2. A general rule of thumb is that increasing retention rates by a small amount increases profits by a dramatic amount. For example, if you improved customer retention from 85% to 90%, that 5% incremental improvement will often increase profits by 20% or more.
3. The two main reasons that customers leave a supplier and start doing business with one of your competitors are due to: 1) a poor customer experience, such as a **problem that wasn't resolved satisfactorily**; or 2) the customer's overall expectations on **post-sale service and support** were not met. For example, slow response times to a customer request.
4. Surveys show that a high percentage (typically in the 60 to 90 per cent range) of customers said they would remain as customers after a negative experience if they received an apology and the issue was resolved promptly.

### Definition and Applicability to Your Organization

1. Because many companies sell multiple services and products to their customers, let's define *customer retention* as “...not only **retaining the customer**, but also that the customer **continues to buy all the products and services** that they've been buying from you.” How might you modify this definition to fit your company?
2. How would it help you to increase customer/product retention?