

Project Report Customer Retention

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What Is Customer Retention?

Customer retention is the ability of a company to retain its customers over a specified period. If a company has high customer retention, that means its customers continue to rebuy the same products, to resubscribe to the same services or, in some other way, continue buying from that company.

Customer retention is vital for two reasons: First, even if you are adding new business, you can't grow your company if you are simultaneously losing business. The second reason is incredibly black and white: It's always more expensive to acquire a new customer than it is to keep your current customers and sell more to them.

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expensive to acquire a new customer than it is to keep your current customers and sell more to them.

Building Good Customer Experiences

Delighting your customers through better customer experience leads to higher user engagement and overall higher customer satisfaction and growth.

Deliver what you promise. Most customers are understanding and empathetic if you are upfront about your limitations. For example, communicating to customers that there are shipping delays to their country related to Covid-19 sets the proper expectations.

Building strong customer relationships is also critical, especially in B2B industries, where purchases often require a higher degree of consideration and more interactions between team members. Tactics like buying your customers lunch or offering incentives or a thank-you gift following a meeting are known to strengthen customer relationships over time. For ecommerce stores, going the extra mile by including a handwritten note or including free shipping with the order can elevate the user experience and create a fleet of loyal customers.

The Importance of Excellent Customer Service

Excellent customer service at every communication point is also critical to establishing customer loyalty. A single poor customer service experience can sour even a long-term customer relationship and overshadow all previous great experiences. Remember, trust is hard to gain but easy to lose, especially when shoppers have many retail options online. Mistakes will happen. No system is fool proof. Having an efficient and friendly customer service experience ensures your customer experience never tarnishes.

Offering flawless customer service is always essential, but especially when rectifying a mistake or solving a customer problem. How your customer support team handles this customer problem will determine how that customer feels about your company, possibly forever. Studies show that improving customer service KPIs, like response time, can significantly improve customer satisfaction. Tools like offering live chat on your website can streamline your buyer's experience and make them more likely to purchase.

Strategies

1. **Engage with customers:** Look at your marketing channels and identify the best ways to engage with your clients. Do they respond best to social media, email marketing, online events, or something else? Let customers weigh in on upcoming products and services, so they feel like they're part of the brand.
2. **Reduce friction in the purchase process:** The fewer obstacles or challenges customers face when purchasing your product or service, the better. When it comes to [ecommerce](#), fast page load times and a fast, simple checkout experience is critical. In a store, eliminate friction by making sure a staff member is always available to help a customer when they're ready to check out.
3. **Improve customer support:** Offer multiple ways for customers to reach you. This can include live chat on your website, a dedicated telephone number, email, social media, and a comprehensive FAQ page online. Additionally, you want to ensure fast response rates. Training your staff well and measuring their performance with benchmarks will help you meet customer expectations for communication.
4. **Create a community:** Having exclusive membership programs or forums where your company representatives and customers can interact with each other will help generate more brand loyalty and buzz. Other ideas include giving discount codes to loyal customers and creating referral programs that offer current clients an incentive.
5. **Start a loyalty program:** Loyalty programs can be a great way to motivate existing customers to make additional purchases and at a higher frequency. Ensure that your loyalty program has rewards those existing customers would find valuable, like free products or significant discounts.

Benefits of Customer Retention

- **Increased profits:** Many companies generate the majority of their revenue from existing customers—[61% of SMBs](#) said this was the case, per a BIA/Kelsey report—so focusing on this part of your business should

be the priority. It will not only increase your revenue, but also your [business's profitability](#).

- **Lower costs:** Retaining an existing customer is anywhere from *5-25 times cheaper* than acquiring a new one, [according to Bain & Company](#), so it's a much more cost-effective strategy in the long run.
- **Increased average order value (AOV):** Repeat customers tend to spend more over time while increasing their average order value. That's why just a 5% increase in retention rate can lead to profits growing 25-95%, per Bain & Company. And loyal customers are 23% more likely to buy again than others, [according to a Gallup study](#).
- **Acquire brand ambassadors:** Word of mouth is one of the best ways to grow your business organically. The more loyal your customers, the more likely that they'll share positive experiences and recommend your company to others.

SWOT Analysis

SWOT analysis is a technique developed at Stanford in the 1970s, frequently used in [strategic planning](#). SWOT is an acronym for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats and is a structured planning method that evaluates those four elements of an organization, project or business venture. A SWOT analysis is a simple, but powerful, framework for leveraging the organization's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities.

Strengths:

Identify skills and capabilities that you have.

What can you do particularly well, relative to rivals?

What do analysts consider to be your strengths?

What resources do you have?

Is your brand or reputation strong?

Weaknesses:

What do rivals do better than you?

What do you do poorly?

What generates the most customer dissatisfaction and complaints?

What generates the most employee dissatisfaction and complaints?

What processes and activities can you improve?

Opportunities:

Where can you apply your strengths?

How are your customers and their needs changing?

How is technology changing your business?

Are there new markets for your strengths? (e.g., foreign)

Are there new ways of producing your products?

Are your rivals' customers dissatisfied?

Threats:

Are customers able to meet their needs with alternative products?

Are customers' needs changing away from your product?

What are your competitors developing?

Are your rivals improving their product offerings or prices?

Is new technology making your product obsolete?

Is your cash-flow and debt position healthy?

Are your employees satisfied?

Is turnover high?

Is new competition coming?

Are sales growing slower than the industry average?