

Customer retention

Customer retention is 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. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.

Customer retention is more than giving the customer what they expect, it's about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'.^[1] The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

Customer retention has a direct impact on profitability. Research by John Fleming and Jim Asplund indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm.

Customer lifetime value

Customer lifetime value enables an organization to calculate the net present value of the profit an organization will realize on a customer over a given period of time. Retention Rate is the percentage of the total number of customers retained in context to the customers that approached for cancellation.

Standardization of customer service

Published standards exist to help organizations deliver process driven customer satisfaction in order to increase the lifespan of a customer. The International Customer Service Institute (TICSI) has released The International Standard for Service Excellence (TISSE 2012). TISSE 2012 enables organizations to focus their attention on delivering excellence in the management of customer service, whilst at the same time providing recognition of success through a 3rd Party certification scheme. TISSE 2012 focuses an organization's attention on delivering increased customer satisfaction by helping the organization through a Service Quality Model. TISSE Service Quality Model uses the 5 P's - Policy, Processes, People, Premises, Product/Service, as well as performance measurement. The implementation of a customer service standard leads to improved customer service practices, underlying operating procedures and eventually, higher levels of customer satisfaction, which in turn increases customer loyalty and customer retention.^[2]

References

Article Sources and Contributors

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