



What Is Customer Churn? [Definition]



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Customer churn is one of the most important metrics for a growing business to evaluate. While it's not the happiest measure, it's a number that can give your company the hard truth about its customer retention.



It's hard to measure success if you don't measure the inevitable failures, too. While you

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What Is Customer Churn?

Customer churn is the percentage of customers that stopped using your company's product or service during a certain time frame. You can **calculate churn rate** by dividing the number of customers you lost during that time period -- say a quarter -- by the number of customers you had at the beginning of that time period.

For example, if you start your quarter with 400 customers and end with 380, your churn rate is 5% because you lost 5% of your customers.

Obviously, your company should aim for a churn rate that is as close to 0% as possible. In order to do this, your company has to be on top of its churn rate at all times and treat it as a top priority.

In this example, I calculated the churn rate as the percentage of customers lost that quarter. However, you can calculate churn rate in whatever way is best for your company. Some **examples** are:

The number of customers lost

The value of recurring business lost

The percentage of recurring value lost

Why Is Customer Churn Rate Important?

You may be wondering why it's necessary to calculate churn rate. Naturally, you're going to lose some customers here and there, and 5% doesn't sound too bad, right?

Well, it's important because it costs more to acquire new customers than it does to retain existing customers. In fact, an **increase in customer retention** of just 5% can create at least a 25% increase in profit. This is because returning customers will likely spend **67% more** on your company's products and services. As a result, your company can spend less on the operating costs of having to acquire new customers. You don't need to spend time and money on convincing an existing customer to select your company over competitors.

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Source: [Churn Rate](#)

In this example, simply decreasing your churn rate by 10% could add an extra \$100,000 in revenue to your company. Dropping from 3% to 2.7% doesn't seem like a lot, but it actually adds large benefits to your company.

You can help reduce your customer churn and sustain it in several ways. For more tips, check out this post on [how to reduce customer churn](#).

How to Reduce Customer Churn

1. Focus your attention on your best customers.

Rather than simply focusing on offering incentives to customers who are considering churning, it could be even more beneficial to pool your resources into your loyal, profitable customers.

2. Analyze churn as it occurs.

Use your churned customers as a means of understanding why customers are leaving. Analyze how and when churn occurs in a customer's lifetime with your company, and use that data to put into place preemptive measures.

3. Show your customers that you care.

Instead of waiting to connect with your customers until they reach out to you, try a more proactive approach. Communicate with them all the perks you offer and show them you care about their experience, and they'll be sure to stick around.

For more information, check out this post on the importance of [listening to customers](#).

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