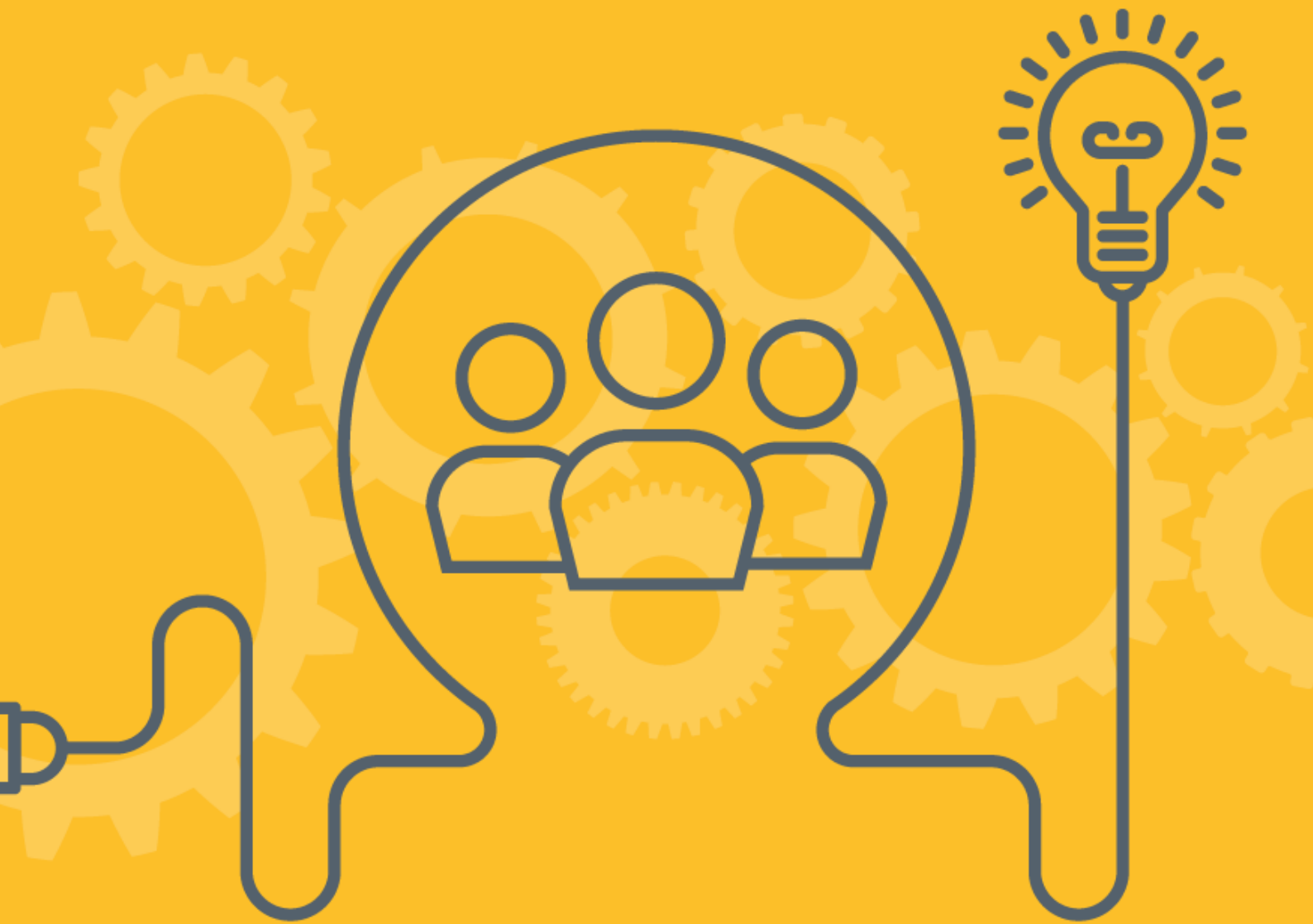


Customer Retention

Is it also the solution for Customer Acquisition?





In yet another twist of the new normal- and the very polarised-by-sector business world that we now live in- some companies have just experienced their best summer sales on record as customers return with a vengeance. Other companies, however, continue to struggle and suffer the ongoing effects of the Coronavirus lockdown and a cautious – even fearful- consumer base.

One thing is for sure- as we have consistently been saying for years – and that is that every company needs to focus on keeping their existing customers close – both to motivate their spend and cement their loyalty, as well as to support them as they too hopefully return to the normality of business.

Can customer retention also be your solution for customer acquisition?

There is a much quoted statistic that says it is 5 times easier to keep a customer than gain a new one. And on that basis it is probably several times cheaper too to retain rather than acquire.

And yet the focus of the majority is on acquisition rather than retention (44% vs 18%).¹

To us this seems illogical. We will never tire of persuading our customers that a small adjustment in the direction of spend towards customer retention and loyalty will pay back dividends several fold.

However, it is equally misguided to simply believe that your existing customers will solve all your growth problems.....so acquiring new ones alongside retaining existing ones is clearly the strategy to pursue.

One solution to customer acquisition lies closer to home – among your existing customers. Its simple: one of the best ways to acquire customers is to ask your loyal existing customers to refer them.

Happy customers are often delighted – keen even – to refer you to a contact or someone in their network but the fact is that businesses generally are very poor at asking for referrals. A recent study showed that 91 percent of customers said they would be happy to give referrals and yet only 11 percent of salespeople asked for them.²

So, think about how you could build referrals into your loyalty strategy. The costs are almost guaranteed to be lower than you think and the success rate is also guaranteed to be higher, as the person referred is 4 times more likely to convert on a recommendation versus your traditional acquisition methods.³

So, with the right incentive for your existing customers to refer, your customer retention strategy could also be a very successful and cost effective solution for customer acquisition.

Sources:

¹ Econsultancy.com

² Dale Carnegie

³ Nielsen

