

## The Value of Customer Retention Campaigns

Even though customer relationships are one of a company's most valuable assets, they are often one of the most undervalued assets too. In the constant battle to gain new customers, it is easy to overlook the value existing customer relationships hold.

All corporate profits are ultimately earned from conducting successful relationships with customers. As the source of all your profits, customer relationships should be valued and protected.

Every customer relationship is an asset and has an economic value or **Lifetime Market Value (LMV)**. A customer's Lifetime Market Value is determined by taking your average customer transaction amount and multiplying it by the number of transactions he or she will conduct with your organization over time.

For example, if your average customer buys \$700 worth of product every quarter for roughly three years then your average customer's **LMV** is:  $\$700 \times 4 = \$2,800 \times 3 = \$8,400$ . This is easily computed in front of a target, by asking them the amount of business their average customer spends with them.

Companies who devote the majority of their energies and resources to getting new customers usually do so at the expense of their existing customers. The resulting neglect can erode the trust and "equity" found in repeat customer relationships.

### **Reasons Customers Leave:**

- Move or Die 4%
- Other Company Friendship 5%
- Competition 9%
- Product Dissatisfaction 15%
- **No Customer Contact Strategy 67%**

If your customers begin to feel ignored or neglected, won't they ultimately take their business elsewhere? What happens if you lose a customer after only one year's worth of transactions? In the above example, your company would have received only \$2,800 of the \$8,400 that would have come from maintaining a better relationship.

Every business gains and loses customers. Customer satisfaction is critical to gaining more customers and losing less of the ones you already have.

**Customer Retention - keeping customers - can be improved by explaining to your employees -especially those on the front line who deal directly with your customers - just how much each customer is worth to your business.**

**Customer Attrition - losing customers - can be dramatically reduced when all of your employees work together to keep your existing customers satisfied. Developing a**

**Customer Retention Strategy is one way to keep existing customers content and your new customers coming back for more. Maintain high customer satisfaction levels and protect your customer relationships – because satisfied customers are truly one of your company’s most valuable assets.**