

Customer Retention Marketing

What is Customer Retention Marketing?

Customer retention marketing involves a company's marketing activities and actions that are directed toward **RETAINING** existing customers. The goal is to retain as many customers as possible through customer loyalty and brand loyalty initiatives.

Customer retention marketing is an alternative or additional approach to acquisition marketing which, of course, involves marketing efforts to acquire **NEW** customers—efforts that usually cost more and demand more time. Remember, acquiring new customers requires a substantial effort to attract, educate, and convert prospects. Retaining customers is far easier because they have already expressed an interest in your product or service and are familiar with your brand.

According to a report by Frederick Reichheld of Bain & Company, the cost of customer acquisition versus customer retention could reach as high as 700%. The report cites the following facts:

- Acquiring a new customer can cost 6 to 7 times more than retaining an existing customer
- Over a 5 year period customer attrition rates could reach as high as 50%
- Businesses which boosted customer retention rates by as little as 5% saw increases in their profits ranging from 5% to a whopping 95%.

A Harvard study found that a 5% increase in online retention can boost profits by 95 percent.

Why customer retention marketing is important for brands

In addition to the above-mentioned reasons, HubSpot weighs in on the subject in their blog, "What is Retention Marketing, and Why You Need to Start Today," by Alex McEachern. HubSpot is a highly respected inbound marketing and sales software company that helps companies attract visitors, convert leads, and close customers.

According to McEachern, “In the past SEM and social media were cheap and effective ways to drive traffic to our ecommerce sites. You could afford to sell to someone once and never speak to them again. Unfortunately this isn't the case anymore. These traditional ads are more expensive and less effective than they were in the past.”

He continues, “Adwords CPCs are on the rise and I don't see that trend changing! Search Engine Land shows non-brand keywords have risen 75% while branded keywords are up 300% from two years ago. That is tough to swallow if you are already operating with small margins.”

“Social media is seeing a similar trend to Adwords. According to a study by AdAge, your organic social reach is on the decline as well. While Facebook says you can expect to reach around 16% of your audience with a post, AdAge says it is more like 6%. To get real exposure on social media you can pay for social ads or promoted posts. That will cost you though.”

McEachern's point is that it is becoming tougher than ever to acquire a customer. You need retention marketing to make each customer you do acquire more valuable. With retention marketing you are essentially increasing the ROI of every paid acquisition you achieve. There is also the added benefit that a return shopper is 9x more likely to convert on a purchase than a first time shopper.

Retention marketing will not ever be the only way you market your product or service. Traditional marketing, including digital marketing, must of course be used first to acquire customers, but retention marketing can increase your ROI by getting customers to shop with you more often. McEachern sums it up nicely by saying, “Retention marketing increases the customer lifetime value (CLV), which leads to long-term profitability, rather than short term acquisition gains.”

Customer retention tactics that work

Some marketing tactics that work well for retention marketing are content marketing, email marketing, and social media marketing. These are an easy and efficient way to keep in touch with your current customer base; remind customers of sales, events, and helpful info; and possibly get a few more referrals from your existing customers.

NGDATA, another company that is expert in this field, lists 15 tactics used in customer retention marketing, with some of the afore-mentioned in the mix.

1. Emails aren't only useful for promoting products; they're also powerful retention tools. Instead of using email to showcase your latest products and sales, strategically use it to encourage past customers to come back and shop again.
2. Use gamification and referral programs.
3. Offer discounts and credits to entice customers to return.
4. Provide exceptional customer service.
5. Re-engage customers using automation. Keep your customers abreast by using marketing automation—it's easier and more efficient than trying to do it manually.
6. Turn customer complaints into opportunities. View complaints as an opportunity to engage with your customers. Use the opportunity to resolve the problem fully and to thank them with additional services.
7. Regularly publishing quality content gives your customers a reason to return. This keeps your website constantly updated and adds continuous value to your users' experience, enticing them back for more.
8. Provide consistent customer service across all channels. Ensure that your presence across all of your customer service outlets is as consistent as possible.
9. Identify VIP customers who haven't purchased anything in 6 months and reconnect with them.
10. Rethink your value proposition or "Why did your customer become a customer in the first place?" Very likely, the reason they are still with you is because of the value you offer.

11. Increase the “stickiness” of your products. Product stickiness is the degree to which customers remember/need to use your product or service.
12. Keep your finger on the pulse of customer satisfaction continuously. Satisfaction feedback is obtained from the individual customer at the time of product or service delivery (or shortly afterward) and then periodically thereafter. Customer retention scores based on the satisfaction tracking surveys will provide flags and a management tracking tool to assure quality is at high levels over time.
13. Stay in touch with your audience on social media. Connect with your existing customers on the social media channels they prefer.
14. Make every customer interaction count. Deliver a great customer experience for prospects and existing customers. Sales expert and Zero-Time Selling author Andy Paul says that salespeople must bring value to prospects in every This also extends to your existing customer base!
15. Create experiences that are worth talking about. Focus on making a lasting, positive impact with each and every customer so when they talk about your business on social media, online review sites, or in their circle of friends and family, their story is one you want to be seen and shared.

Online: Create and share content that existing consumers find interesting, engaging and shareworthy. Offering helpful how-tos and

tips related to your industry will reinforce your commitment and passion to your customers.

Offline: Make a good impression from the get-go by delivering a solid product with excellent service each and every time a customer interacts with your business.

Some companies that do it right

- **American Express** has a Small Business Saturday. If customers support small businesses the Saturday after Thanksgiving, they get discounts from participating vendors.

American Express also has a Plenti rewards program that rewards shoppers at their partner merchants, such as Exxon, Hulu, Rite-Aid, AT&T, Enterprise, Expedia and more.

- **Sephora** has a Beauty Insider rewards program that provides rewards when customers reach certain spend levels—like free shipping or makeovers.
- **Starwood Preferred Guest, Southwest Airlines Rapid Rewards, and Lettuce Entertain You Frequent Diner Club** participate in “the more you visit or spend, the more you earn” programs for their customers.
- Customers can earn **Starwood** points if they link to their **Uber** account—perfect for travelers who need both hotel and transportation.
- **Walgreens** Balance Rewards awards shoppers with 10 cents for every \$1 spent on most purchases to be redeemed on future purchases.
- **AAA** members have long received fringe benefits from AAA partner companies, like movie, car rental, restaurant, and other deals.
- **REI** has a Co-op Dividend membership benefit. The more customers spend, the more they contribute to everyone’s benefit.

The Future of Customer Retention Marketing

Jerry Jao, writing for *Forbes*, talks about the future of customer retention marketing. He states that “The *future* of Retention Marketing requires action on a

larger scale. For long-term success, companies must commit to a new way of thinking that must be implemented from the top down.

This commitment can be broken down into three components: redefine how customer value is measured (just as customers have evolved to look at value over price, companies must begin to evaluate lifetime value over transactional value); understand and champion the need for data-driven technology (keep customers engaged, analyze this customer data, and be willing to invest in the necessary technology to do so); execute a “Hard Reset” and restructure from the top down (companies must execute a “hard reset” on how they define business profitability—retention marketing should be on par with, if not ranked above, acquisition efforts—from the CEO on down).

In Summary

In view of the existing research on customer retention marketing, companies cannot afford NOT to do it. It will be a drastic change for some, but it is definitely the way of the future. Those companies who choose to ignore this marketing trend will soon fall behind the competition in sales, and at the same time will be sinking their ship by investing more money and manpower in acquisition. And when economic times get tough, as they always do, customer retention can act as an insurance program—your loyal customers will stay with you even through tough times because you've been so good to them in the past.