

“How to retain customers in this challenging economic environment”

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In this challenging economic environment it is difficult to keep current customers especially if you have many competitors. Downward pressure on selling prices motivates many current customers to examine their alternatives to your products/services. Now more than ever it is important to make sure that you are offering your customers the best value. The first step is finding out from current and recently lost customers what is working and what is not.

What is working and what is not

To gather this customer feedback, separate your customers into two groups - current customers and customers recently lost. From each customer group you want to know why they purchased your product/service and what they liked about it versus the competition. From the lost customer group you will also want to know when and why did they decide to stop using your product/service, what did they consider when moving to a competitor, and what do they like better about the competitor's product/service. Several methods can be used to capture this information inexpensively such as customer feedback from the sales force, customer service center, customer mail, and internet forums and blogs.

From this customer feedback you will have a good general idea of what you can change and/or modify to improve customer retention. Your findings may indicate a few easy changes to make like reduce the waiting time for customer service, change a feature on your product/service, or coach your sales and service teams on how to provide best in class customer service. *You could stop here but you may be missing a bigger opportunity – customer segmentation.*

Digging deeper – customer segmentation.

Customer segmentation is important to understand for customer retention (and customer acquisition) purposes. Let's say through a segmentation study you find out that 25 percent of your customers may be persuaded by price alone while the remaining 75 percent value benefits delivered beyond the price. That may mean that one product/service and price will not work for everyone and if you don't address each segments needs directly you may risk losing one or both of the segments to competitors.

To determine whether there are segments of customers within your customer list you will need more formal customer research. This will involve carefully selecting your customer sample of current and recently lost customers, determining the sample size, developing a questionnaire, and ensuring the right information is captured so that the results can be used to easily segment customers within your customer list as well as prospects.

A customer driven approach

Customer research results should yield a tremendous amount of productive information. You will know how many customer segments you have, what product/service benefits appeals to each of them, and how to locate each segment within your customer list and for prospecting. You will also be able to financially profile each of the segments to determine profit delivery per segment and how much money you can invest per segment and per person to deliver desired profitability.

With this information it is time to determine if and how you should modify your current products/services and pricing to better meet the needs of each customer segment. Start by developing a conceptual plan for customer testing that consists of products/services and pricing that best meets each segments needs but also delivers the required profitability for shareholders of the company. Take those concepts to customer focus group testing with current and recently lost customers. Determine the anticipated customer retention improvement, new

customer acquisition improvement, and resulting financial impact of a new set of products/services and pricing for each customer segment. Implement the portion of the plan that will improve the financials over time.

Know when to ask for help

If you decide to dig deeper with customer research, you may want to seek professional assistance. An experienced marketing expert will ensure that you get the most return for your resources, time, and money spent performing the necessary tasks such as developing a research questionnaire, determining sample size, analyzing the results for segmentation, creating new products/services and pricing plans, testing those plans, and determining the long range financial impact.

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