



Retaining Customers on the Brink of Defection

Doug Morgan, CMO





Though some vendors claim huge customer retention results, few of them hold water. But there is a proven way to become more profitable: by increasing the retention of at-risk customers – those customers ready to leave you or downgrade their service.

We help our clients with the entire target, service, develop and retain lifecycle, but retention of the at-risk customer is one of the areas where we outperform the market and our competition. Industry averages for At-risk customer retention is about around 50-60%. Our performance is consistently in the 70-80% range. Customer retention is not only a cost effective and profitable strategy, but in today's world, it's necessary. Still, most companies don't have a clear understanding of the numbers.

- **80% of your profit** comes from **20-30% of your customers**
- It takes **ten prospects** to get one new customer
- The cost of a new customer is **6-10 times the cost of retaining an existing one**
- It costs \$300-400 to acquire a new customer
- We produce ROI 300%-500% above the industry average

Even as a die-hard marketer, it makes me wonder why most marketing and sales campaigns are still designed for new customers.

In this paper, I'll give you a glimpse into how our process works. After that, you may want to invite us in for a deeper discussion on how we deconstruct every step of the customer interaction, and then teach agents to effectively handle each phase of each interaction.

When it comes to customers and customer retention, we are the market leaders. Our proven process for exactly what to do when faced with an at-risk customer is unique in the industry and ready to work for you.

Best Regards,

A handwritten signature in black ink that reads "Doug".

Doug Morgan

Before I tell you about the huge profit potential in retaining at-risk customers, I'll share a couple thoughts on traditional retention.

Each business is different; my experience is primarily in media companies. Throughout this paper I'll use cost and volume numbers that are reflective of those environments. If you're selling lunchmeat to local restaurants, your business model is different, but I think you'll find that the basic principles still apply.

80% isn't really 80%

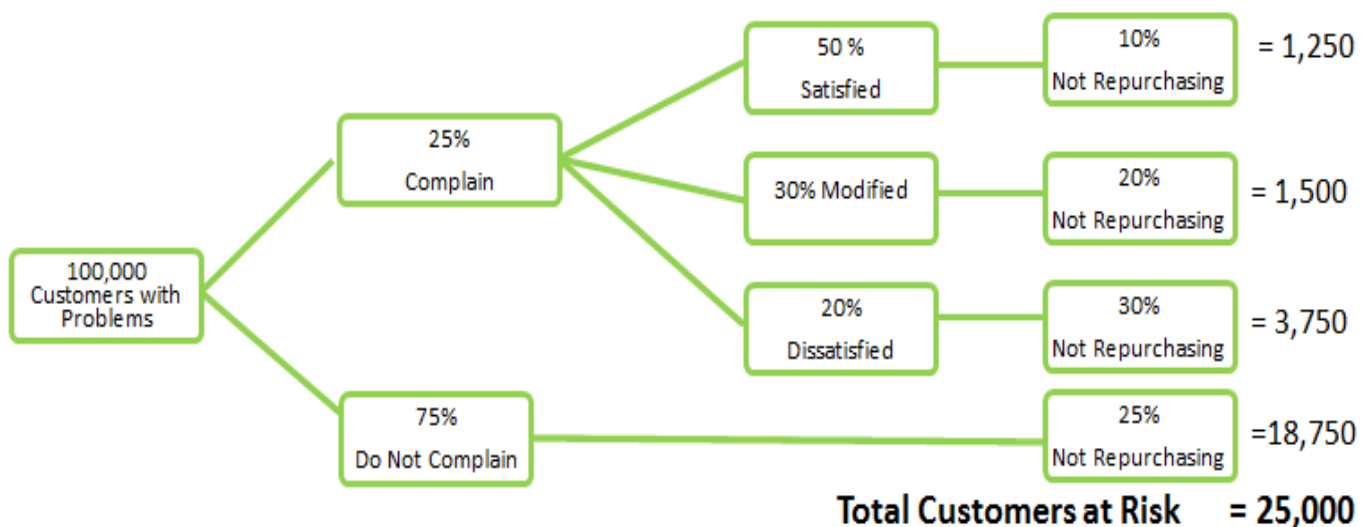
According to J. D. Power & Associates, the defection rate by industry runs from 22% for Internet Service Providers to 30% for wireless phones and 66% for newspaper subscriptions (ouch). With that in mind, the 80% retention (20% Defection) in a recent Salesforce.com article seems pretty positive, doesn't it?

Not me. I think 80% is really ugly. Here's why: If I start with 10,000 customers, I have 8,000 at the end of year one, 6,400 at year two, and 5,120 at year 3. By year 3, I've lost half my base, face almost \$1.5M in costs (4,880 customers lost x \$300), and need almost 50,000 prospects JUST TO GET EVEN. How much money could I save if I got that number up to 90%?

Why Do Customers Leave?

According to RightNow technologies, 68% of customers leave because of bad service. That seems to be a well-accepted number. Customers don't like to complain – so make it easy for them.

Subscription-based business such as insurance or phone are easier to make sure you touch the customer before they leave, but even if you don't have the luxury of a subscription business, you should install some friction in the system -- never let a customer leave with a mouse click - make them talk to a real human, whenever possible.



Source: John Goodman, *Selling Customer Service to Your CFO*

Surveys

The chart above reinforces the fact that most customers won't let you know they have a problem – they just leave. It's more important than ever to marry database programs and proactive communications to continually check in with your customers. It doesn't need to be a formal survey. Consider this recent e-mail I received from Amazon:



[Your Account](#) | [Amazon.com](#)

Message From Customer Service

Hello,

Thank you for contacting us.

Best regards,
Hedin W

Did I solve your problem?

Yes No

Your feedback is helping us build Earth's Most Customer-Centric Company.

Thank you.

Amazon.com

This only took a few seconds, but I let the company know how they did.

Here's another thing I never noticed before I started research for this paper. At my local carwash, the attendant always has me walk around the car before handing it back to me "in case we missed anything." Not a formal survey, but another way to ensure the customer is happy.

Make the Most of Customers or Prospects that Left

Former customers often make the best prospects. After a reasonable cooling down period, former customers, disillusioned by their current vendor, are often ready to talk. Fortunately, the sales cycle is shorter and expectations more realistic than when dealing with a new prospect.

I was recently reminded of this when one of my sales reps came to me and announced that he received a Request for Proposal from XYZ Communications. This was totally unexpected because we fought a hard battle to win XYZ's business two years ago and lost to a very good company. Two years later, it turns out the competition couldn't really do all they promised and the price was higher than expected.

Don't write off former customers and prospects as new prospects.

Retaining the At-Risk Customer

Most of our calls start with an irate customer ready to disconnect part or all of their service. The call can take many directions since there are at least eight main reasons behind the call and an unlimited number of supporting (or distracting) reasons. When the customer is ready to defect, it's not usually one reason, but many. This just happened to be the one that "broke the camel's back."

We typically save 80% of those who were going to disconnect. The key to our success is a proven process that lets an agent navigate through the transaction, optimizing it every step of the way. Each step has numerous branches, but I'll show you the main steps as the agent goes through a typical call:

- Greeting
- Actively listen to learn and identify needs
- Probe to uncover additional needs
- Present tailored solution
- Close and motivate
- End the Call

Greet the customer

- Speak slowly and clearly
- Ask for their name
- Clarify reason for the call
- Check lifetime value
- Empathize and relate in the greeting

"Hi, my name is Lisa Jones from ABC Communications. I understand that you're calling to change your service... is that correct?" (Notice that I didn't use "trap" words like "disconnect" or "downgrade.")

When a customer calls, you must clearly tell the agent as to how important that customer is to the business, or how much you're willing to lose them.

If you're an insurance company, for example, and a driver wants to renew, but they have two reckless driving incidents and a DUI in the last year, you may want to let them go elsewhere. If you're a media company and the customer has TV, with three movie channels, NFL Red Zone, high speed Internet and phone, their lifetime value is probably high. At this point, you see that they've had two service calls and four outages this year, so their "at-risk" quotient is also high.

Listen to what the customer wants.

- Let the customer vent. Don't interrupt. Don't argue.
- Let them know you're listening. (*"I understand."*)
- Let them know you're here to help. (*"I'm sure I can help you with that."*)
- Acknowledge the pain and show empathy. (*"I can see why that would be upsetting."*)
- Paraphrase the problem and repeat it back to them.

Remember: it's not personal. Let them talk as long as they need to in order to express their disappointment and fully explain the problem. The agent is the expert and will make a recommendation after all needs are uncovered.

Probe to uncover additional needs.

Ask permission to ask questions. You control the call.

- Probe to uncover needs. (TV example)
 - What do you enjoy watching?
 - How many TV's do you have?
 - What shows can't you live without?
 - Do you have an alarm in your home?
 - Who else is in the home?
 - What do you do online?
 - Do you use the phone for work?
 - If you leave us, where do you plan to go?
 - Tell me more about your service problems.

"To help solve your problem, I need to ask you a few questions. Is that alright?"

The key to the probing sequence is to find all areas where you can provide additional value.

Present the solution.

- Understand your value.
- Acknowledge objections and discuss.
- Build the value of the services.
- Attempt to upsell and close based on needs.
- The client ultimately determines what offers the agent is allowed to present. That said, the customer has some expectation of what they should get, and you don't want to annoy them more with an insulting offer.
- Present options from needs-tailored solution. Present lowest revenue-loss option first.
- Present offer and attempt first close...then PAUSE. If your offer truly meets their needs, it may be accepted.
- Don't start answering a non-existent objection.

"Now that I understand yours needs, I'm able to offer you a package that specifically meets your needs. Here's what it is _____. Does that sound good to you?"

Sometimes it takes a while to understand value. FedEx chairman Fred Smith thought he was in the business of transporting goods. In fact, he realized that FedEx provides peace of mind.

During the presentation of solution stage, an agent is likely to encounter objections. Agents are taught to acknowledge them, then restate in their own terms. For example:

Customer: I want to cancel my service.

Agent: ***"I can help you make changes to your service."***

Customer: You increased my rates.

Agent: ***"I understand the value of the services is important to you, and so is staying on budget."***

Customer: Your competition is offering me a lower price.

Agent: ***"I'm sure we can get you a package that will meet your needs and budget. May I ask you some questions so that I may do so?"***

Close

- Close the save
- Confirm Details
- Reaffirm the customer's choice

"Based on what you told me, I recommend..."

"I think we've come up with a great solution for you... let me finalize the order."

For indecisive Customers: *"We can make the change now, and if you have any more changes, you can just give us a quick call".*

"I'm positive the package we have selected for you will best suit your needs"

End the call

"I'd like to thank you for being an ABC Communications customer. Have a great day".

Tips to increase your probability of success:

- If the customer thinks it's too expensive, prioritize and figure out what they are willing to give up.
- Don't make assumptions about what the customer can afford.
- Don't offer a cheaper package until you've handled all of the customer's concerns. Start with the highest value.
- Don't let the conversation stray.
- If necessary, ask a question to put yourself back in control.
- Don't use trap words or phrases.

One trap phrase I hate is, "it's our policy." A few weeks ago, I stopped at a local electronics supply store to buy some batteries. The clerk asked for my name and address. I know they already have this because I routinely receive catalogs from them. I asked the clerk why he wanted my address and he replied, "it's our policy."

"Well, this is your lucky day," I told him. "You're going to learn my policy ... Don't annoy your customers." I told him to simply write "refused" in the name and address spot, gave him my money, and was on my way.

Training

There are skills and techniques taught in our program that take a while to master. Agents typically have a 2-4 week introductory course to learn basic call center skills, as well as the client's billing and other IT systems, and occasionally, gain some technical expertise.

Then they "nest" with an experienced agent for a week or two. Then they start six weeks of one hour per day in class lecture and role play doing periodic skill builders on each aspect of the interaction. For instance, they may spend a couple days getting the greeting right, and three to four on handling objections.

This may sound onerous, but it's what it takes to drive the retention numbers we get.

Summary

Customers have gotten used to a certain standard of service. It takes a true understanding of customer preferences and a desire to meet them in innovative ways to stay an industry leader. From a supplier standpoint, it takes culture. Commitment and community to make it work.

The best thing you can do is take care of customers so they don't fall into the "at-risk" category. Jeff Bezos, CEO of Amazon, sums it up this way: "You have to create something 10 times better than what they're used to. Marginally better will make them happy, but it won't make them an evangelist."

The good news out of all of this is that we understand how to delight customers, and have proven the ROI. Even when our service falls below standards, customers who are on the brink of defection can be won back.



1. Entrepreneur magazine Article 223969, Jonathan Byrnes, *Islands of profit in a sea of red ink*
2. Griffin and Lowenstein, Customer Winback
3. Bain & Co., US Department of Commerce, US Chamber of Commerce



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