

A White Paper from The Integrity Group

CUSTOMER RETENTION: CARING FOR YOUR MOST VALUABLE ASSETS

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Introduction

When companies begin searching for ways to boost profitability and grow revenues, they typically focus on the “dynamic duo” of attracting new customers and lowering expenses. Thousands of case histories attest to the power of both of these strategies to produce significant results. But when a stronger bottom line is the overarching goal, a third strategy—**customer retention**—has proven equally powerful. This white paper outlines how the benefits of customer retention have captivated senior management over the past decade, and it identifies ways that almost any company can easily and cost effectively retain more of its customers.

The value of customer retention

“Churn” is the technical term for losing customers and replacing them with new ones—and even the best companies suffer some degree of churn. In the past, this natural ebb and flow of customers had some C-suite executives concluding that customers are nothing more than commodities. By their calculations, when existing customers left, new ones could be found to take their place. The net result (in their minds) was a wash—and reinforced their view that churn was nothing more than “business as usual.”

Now we know better. Research data from Gartner and other groups confirms that the result of losing an existing customer is anything

but “business as usual.” Gartner concludes that existing customers spend more, purchase higher margin products and services, and are more likely to refer additional customers to the enterprise. Because known customers cost less to support, they bolster margins.¹

Not only do all of these attributes evaporate when an existing client leaves, but significant sums must then be allocated to identify, cultivate, and secure a new customer to replace them. Churn carries a hefty price tag, even if the term is not directly referenced on a balance sheet.

To counteract the loss of existing customers, most companies follow a simple strategy—they ratchet up their sales and marketing activities. The problem with this approach is its poor accountability. If the desired quota of new customers is reached during a given period, most companies deem the sales and marketing effort a success. But when the true price of churn is considered, the total cost of finding and securing new customers can go far beyond the dollars invested in incremental sales and marketing efforts. How far beyond? Many research reports estimate the ratio at one to five. In other words, for every dollar that could have been invested to keep a customer happy, a total of five dollars will be needed to find and recruit a replacement.² The best managed enterprises fully understand the hidden values of keeping customers happy—and they recognize their most important assets are *their existing customers*.

There is only one boss...the customer.

A new buzzword in business

Challenged by churn, the business world has responded in the past 15 years with a series of solutions cataloged under a single phrase: **customer retention**. Proof of the term's pervasiveness is available to anyone who types the words "customer retention" into an Internet search engine. Hundreds of hits will appear, with many of them attributable to management consulting firms that are eager to sell systems and programs that promise "instant improvement" in customer retention rates.

According to an old business proverb, when lots of business consultants are circling in the waters, a hot trend can't be too far away. Customer retention has grown into one of these trends, and the swelling tide of interest in the topic has even spawned new acronyms such as CRM (customer relationship management) and CLM (customer loyalty management).

Keeping customers happy has been a sound business strategy for centuries—but the *quantification* of the benefits and costs of customer retention is a relatively recent phenomenon. One of the first "tipping points" that inflamed corporate interest in customer retention occurred in 1990 with the publication of an article in *Harvard Business Review*.

In their piece, the co-authors cited how a mere 5% improvement in customer retention could "boost profits by 25% to 85%."³ It's hard to imagine a C-suite executive reading that

sentence in 1990 without raising their eyebrows in surprise—and instantly making a mental note to find new ways to improve customer retention at his or her company.

As other publications and opinion leaders weighed in on the topic, the concept of customer retention quickly became a top-of-mind issue for many business executives. In 2002, the Conference Board, a global organization that creates and distributes knowledge about management and the marketplace, surveyed global CEOs and asked them to identify their most important challenge. The hands-down winner—the issue that most CEOs cited as their biggest source of concern—was "customer loyalty and retention."⁴

Today, customer retention is mainstream fare for the business class, with references to the term reportedly appearing in 40,000 books. The brimming bibliography includes the autobiography of Wal-Mart founder Sam Walton, who offered this succinct view of the power of customers: "*There is only one boss... the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.*"

Walton fully understood the value of keeping customers happy—and a new generation of business managers is now holding to the same course by applying a range of customer retention techniques.

Training and documentation exert a profound influence on customer satisfaction and loyalty.

How to get started

If your company has yet to climb aboard the customer retention bandwagon, do not despair. Taking the important first steps to finding new and better ways to keep your existing customers happy can be easy, inexpensive, and extremely rewarding.

Where do you begin? Before you ask Amazon.com to deliver those 40,000 business books to your doorstep, you might be better served by forming a committee of senior managers and asking them to review all the ways in which your customers form an opinion of your company. A logical search for answers could begin with these questions:

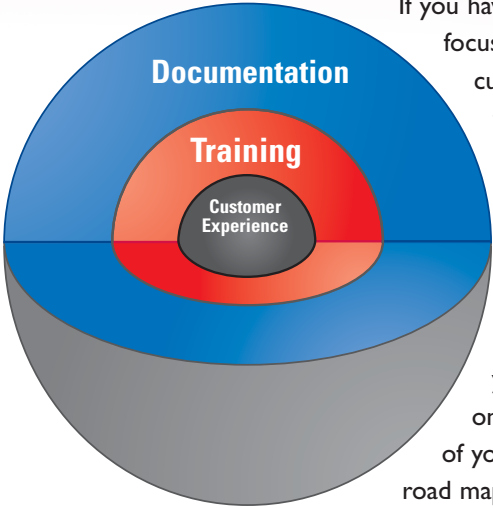
- What “face” do you present to your customers?
- How do your customers form their first evaluations of your company?
- Do your employees have the necessary skills to produce the best possible products and services?
- How much effort do you expend to ensure a positive out-of-box experience for your customers?
- Are your employees properly trained to address customer issues?

After conducting initial investigations, most companies find that they can address these concerns by concentrating on two areas critical to their success: **training** and **documentation**.

These two elements exert a profound influence on customer satisfaction and loyalty, but their roles in the success of any business enterprise are sometimes easy to overlook.

A growing body of data supports the conclusion that training and documentation are critical links that can make or break a positive customer experience. Gartner research found that 92% of U.S. consumers form their image of a company based on their initial experiences with people, products, and services. 86% of the customers who seek more information about a company—or who request assistance in better understanding a product or service—stop doing business with that firm if they have a poor or negative experience.²

Training and documentation are critical links that make or break positive customer experiences.



If you have assembled your team and focused its members on improving customer retention, chances are that two of the biggest building blocks—training and documentation—are already part of your company’s infra-structure. Rather than struggling to invent new techniques and strategies to keep your customers happy, your team can instead concentrate on improving two existing elements of your corporate domain. Here’s the road map for success:

- On the front end, training helps your people understand customer expectations and shapes their behavior to meet those expectations.
- On the back end, documentation helps customers exploit the value and benefits of your products and services and gives them a tool necessary for adjusting and honing their behavior.
- When training and documentation are optimized, the customer experience is maximized. Loyalty goes up and so do your retention rates!

Providing employees with performance-based training builds loyalty, reduces attrition, and positively influences customer retention.

The power of superior training

Many businesses believe that happy employees beget happy customers, and they tailor their training programs to keep their workers smiling. There are two problems with this strategy. The first is that the supposed correlation between employee loyalty and customer loyalty is tenuous at best and, according to research by Ipsos, might not exist at all.⁵ The second problem is that focusing training efforts exclusively on employee satisfaction can actually deprive workers of the chance to learn new ways to please and retain existing customers.

There's a better model to follow. Companies looking to boost their performance and improve their customer retention rates should review their training programs and determine if employees are acquiring the *precise skills they need to properly service their customers*. Many training programs yield employees who can readily recite the company's procedures and policies but cannot properly "think on their feet" to quickly respond to customer issues and concerns. A properly constructed training program covers the fundamentals of the business, but it also breeds skilled employees who can be appreciated by their customers as allies and advocates who can provide sound solutions.

Constructing training programs that produce desired results is one of the core competencies of The Integrity Group. We design and build training programs aimed at internal audiences, but we also specialize in creating training programs that companies offer to their customers. In every instance, we carefully

match the goals of the business enterprise with the best materials and instruction techniques that can reach and inform every learner. We base our approach around a central question: what do the learners (either employees or customers) need to know to produce outstanding business results? As part of our instructional system design (ISD) procedures, we analyze the skills and knowledge of every audience and identify the gaps that exist between current skill levels and optimum job performance. Equipped with these facts, The Integrity Group creates a performance-based curriculum that precisely meets the needs of a company's workforce.

Our approach yields many quantifiable results, with our customers reporting as much as a 20% improvement in organizational performance and a 10% reduction in time-to-market for new products. And our experience confirms how providing employees with performance-based training actually builds loyalty and reduces attrition among employees—two welcome outcomes that can only have a positive impact on customer retention.

Our deliverables associated with training include:

- Instructional design
- Courseware development
- e-Learning solutions
- Webinars
- Presentations
- Multimedia
- Instructor-led materials
- Online tutorials
- Job aids
- Assembly instructions
- Competency mapping and certification

Properly constructed documentation creates peace of mind and a sense of security for your customers.

The power of superior documentation

If training represents the starting point for a customer-focused enterprise, then documentation represents its fulfillment and conclusion. Customers rely on your documentation to answer questions and point them toward a full understanding of how to properly use your product or service to its full potential. But customers also rely on documentation to satisfy another important need: *they want to be reassured that they have made the right decision in purchasing your product or service!*

Documentation is a central element in a customer's out-of-box experience and integral to successful service offerings. The best way to test the effectiveness of your existing materials is to literally try them on for size. Open one of your product boxes and assess the effectiveness of all supporting documents. If you provide services, assess the documents to determine if the information your customers need is easy to locate, follow, and understand.

When a successful out-of-box experience is under way, great documentation helps build instant connections that go far beyond merely answering the customer's questions. Properly constructed, these printed pages (plus any additional materials available on the Internet) should engender a sense of security and peace of mind for your customers. From start to finish, your documentation should reinforce a single conclusion: "The company that makes this product or provides this service cares enough about me to include everything I need to be successful."

The Integrity Group understands the important role that good documentation plays in customer retention, and our skilled teams have helped dozens of companies elevate the quality and effectiveness of their documentation. In helping companies improve their customer retention rates, we have also achieved other important benchmarks of success. Our clients have reported improvements of up to 20% in such areas as overall documentation quality and project delivery times and reductions of up to 30% in project development costs. The bottom line: we help clients increase their customer retention by improving the quality of their documentation—and we save them money along the way.

Our deliverables associated with documentation include:

- User guides
- Administration procedures
- Presentations
- Multimedia
- Operation manuals
- Business process documentation
- Technical reference material
- Best practices documentation
- HR manuals
- Job aids
- Quick reference guides
- Troubleshooting guides
- Book covers and CD artwork
- Safety manuals
- Maintenance manuals
- Disaster recovery manuals
- Marketing materials
- White papers
- Packaging artwork
- Product data sheets
- Setup posters

*The first step in reducing customer churn
is making customer retention a top priority.*

Outsourcing: A proven route to outstanding results

The all-important first step in reducing customer churn is to make customer retention a priority. After that, your options are almost limitless—from computer-assisted programs that carefully manage customer relationships to ongoing customer outreaches that include direct mail, seminars, or telephone contacts. Regardless of which strategies you ultimately pursue, training and documentation will undoubtedly factor into the mix of solutions.

As you make your decisions about how to improve retention rates, we strongly encourage you to consider outsourcing your training and documentation challenges to an industry leader in both disciplines. Since 1994, The Integrity Group has created thousands of deliverables aimed at a single goal: **generating superior customer experiences**. Outsourcing is a surprisingly affordable option that enables our clients to quickly benefit from dramatic improvements in the quality and effectiveness of their training and documentation.

The Integrity Group is positioned to be a strategic partner in your business success, and we welcome the chance to outline ways that we can help you meet your goals. Please contact us to schedule an initial meeting that will show you what we do, how we work, and where we can make an important contribution in your effort to retain more customers.

For information about how The Integrity Group has directly impacted customer retention, please review some of our case studies at www.go-integrity.com or call 1-877-INTEGRP.

¹ Gartner, 2003.

<http://www.gartner.com>

² Gartner, 2004.

<http://www.gartner.com>

³ Reichheld, Frederick and Scheffer, Phil. "Zero Defects: Quality Comes to Service." Harvard Business Review.

<http://harvardbusinessonline.hbsp.harvard.edu>

⁴ Conference Board, 2002

<http://www.conference-board.org/>

⁵ Ipsos Ideas: Building a Loyalty Process, 2005

<http://www.ipsos-na.com/>