



THE ANATOMY OF CHURN

**CHURN IS AN ACCOUNT
SERVICES PROBLEM**

CHURN IS THE RATE AT WHICH CUSTOMERS STOP DOING BUSINESS WITH YOU.

This causes a negative impact on both the former customers and the businesses they leave. To give you some perspective on the financial implications of the issue:



COMPANIES LOSE \$1.6 TRILLION PER YEAR DUE TO CUSTOMER CHURN

And according to the [Forrester](#), it costs **5 times more** to acquire new customers than it does to keep an existing one.¹



REDUCING CHURN BY 5% CAN INCREASE PROFITS BY 25-125%

In business, everything is about the bottom line, and reducing your churn rate will substantially increase your profit margin.²



THE PROBABILITY OF SELLING TO AN EXISTING CUSTOMER IS 60-70%

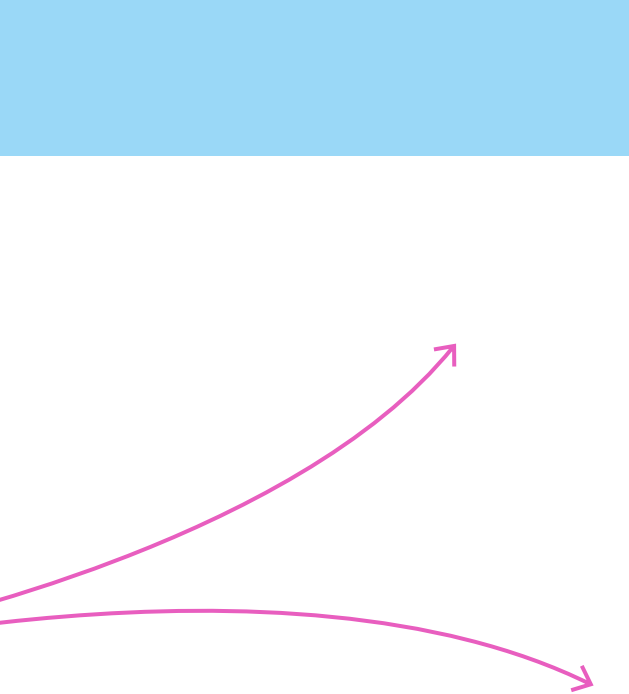
The probability of selling to a new prospect is 5-20%. Existing customers already know, are satisfied, and trust your brand. With a new prospect, you need to convince them that you are the brand for them. The odds are in your favor to sell to an existing customer!³

CHURN DEPENDS HEAVILY ON YOUR ACCOUNT SERVICES— GROWING RELATIONSHIPS, STRONG PROCESSES, GREAT CUSTOMER SERVICE, AND KNOWING HOW YOU ARE DOING.

This paper breaks down how churn is affected by account services and is just a piece of the overall picture of churn.

Churn is an organization-wide issue that is affected throughout the customer journey. This is a special concern for businesses with a recurring revenue model

and/or additional products/services to sell to existing customers. The Anatomy of Churn white paper breaks down each section of the customer journey, while this paper focuses solely on account services. You can download The Anatomy of Churn [here](#) or visit anatomyofchurn.com.



CHURN AS A CUSTOMER SERVICE PROBLEM.

ALMOST 70% OF THE IDENTIFIABLE REASONS WHY CUSTOMERS LEFT TYPICAL COMPANIES HAD NOTHING TO DO WITH THE PRODUCT. THE PREVAILING REASON FOR SWITCHING WAS POOR QUALITY OF SERVICE¹

Customer service has both a proactive and reactive component - both are critical to long-term client retention. Proactive customer service includes structured outreach, asking questions, and being prepared to bring value to customer needs. Reactive service is how you deal with customer problems arising from unmet expectations, product/service failures, and shortcomings or inadequate results. A strong service philosophy is critical here as no policies or processes will be able to address all client needs. Service philosophy/values, and help customer service teams operate effectively in the unexpected areas of service.

“THE PROCESS”

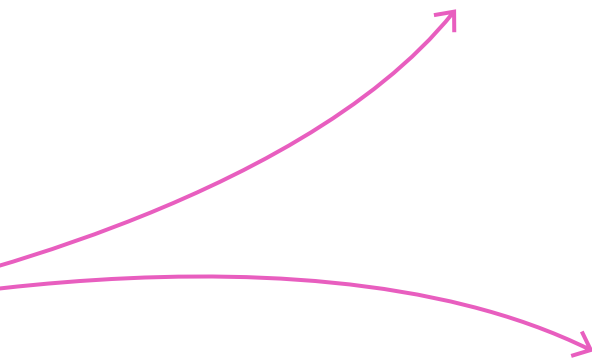

How many of you have ever experienced an answer from a customer service rep, “That’s just not our process.” (or something to that effect)? How does that sit in your gut? What does your opinion of that seller now look like? The core of this issue is being internally focused v. customer focused. Business processes must exist for a business to exist. However, they can never be so rigid that they fail to meet the market’s needs. That is not to say you can do all things for everybody all the time, but, when your response to a customer issue is, “That’s not our process” will increase your churn.

FAILURE TO EVALUATE THE ISSUES

When customers reach out with a service issue, they often frame it from within their own understanding of the issue. Failure to properly deep-dive through

questions and assessments on the part of customer service will lead to a shortfall and proper solutions. When a customer reaches out, customer service must assume that there is, in fact, a problem, and that it is their job to determine the core issue (or issues). Once that’s done, getting proper buy-in from your customers before moving ahead with a sale is essential to maintaining integrity in the relationship.

GREAT CUSTOMER EXPERIENCE IS A MAJOR COMPETITIVE ADVANTAGE THAT DRIVES NEW SALES— AND IT’S PREDICTED TO OVERTAKE PRICE AND PRODUCT AS THE PRIMARY BRAND DIFFERENTIATOR FOR B2B SALES BY 2020²



CHURN IS A RESULT OF NOT GROWING YOUR RELATIONSHIPS.

**LOYAL CUSTOMERS
ARE 5X AS LIKELY TO
REPURCHASE, 5X AS
LIKELY TO FORGIVE, 4X AS
LIKELY TO REFER, AND 7X
AS LIKELY TO TRY A NEW
OFFERING³**

Growing your relationships with your customers helps solve more of their problems in more, and often deeper, ways than the initial sale. As this is often a revenue-generating activity, it can be misconstrued as benefitting the seller only. This is a critical mistake. Growing existing customer relationships, if done well, is primarily to their benefit as someone they're already working with/paying/have evaluated can take on more of their issues.

INCREASING ENGAGEMENT

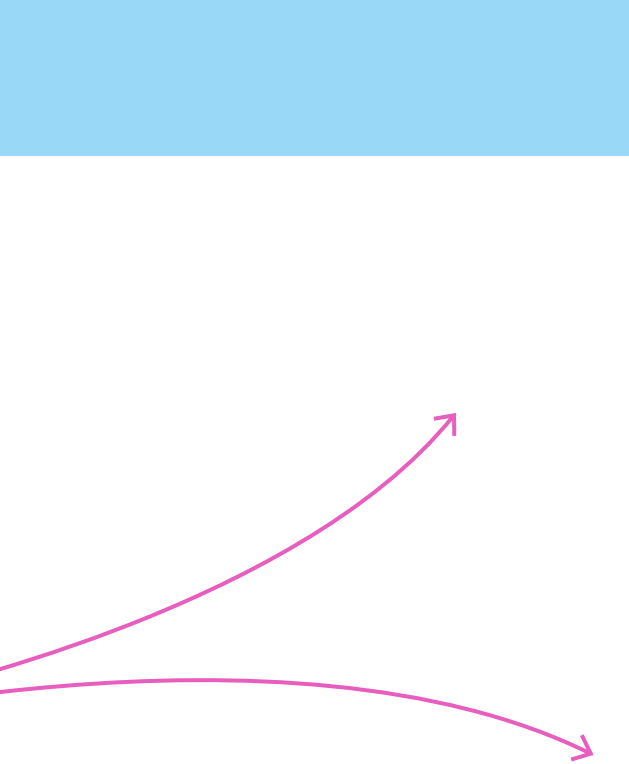
At its most technical level, this means having your customers renew engagements with you. This means buying additional products or services from you or buying products or services from other areas of your business that might be a benefit. Proper philosophy here is not one of how much can I get for my existing customers, but rather how well do I know them and their issues? What ways can I continue to bring additional value to them, big or small? It is very rare that the scale and scope of the original agreement is an answer. Grow and adapt your services and products to your existing customer base. It is best to view this as creating more valuable service and impact your customer base over time, with them being the primary benefactor. If your focus is on that, you more than benefit from increased customer lifetime value.

BECOMING MORE VALUABLE OVER TIME

This is a mutual benefit. You see an increase in the

lifetime value of your customers, becoming more valuable to your business. They see an increase in the value you bring to their business and needs. As they grow, you grow with them. As time goes on, you grow together, providing more, and deeper, value to each other.





CHURN IS A “NOT KNOWING HOW YOU’RE DOING” PROBLEM.

A 10% INCREASE IN A COMPANY’S CUSTOMER SATISFACTION SCORE LEADS TO A 12% INCREASE IN TRUST FROM CUSTOMERS⁴

Understanding how you’re doing as a company - physically asking your customers - is vital to the success of your business. Companies who fail to take this step are like rodeo bull rider just white-knuckling the ropes hoping to hold on to customers. Hear no evil is their mantra. You must be willing to initiate these conversations regardless of how you think the relationship is going. Failure to take this step will prohibit you from enabling proactive and individual customer engagements, as well as getting better as a business.

CUSTOMER OPINIONS

Knowing your customers’ opinions of your products and/or services and overall experience in working with you is essential to being able to do the right things to maintain and grow the relationship. When you don’t know or don’t ask, you’re guessing or making decisions out of proper context. If someone has decided to work with you to begin with, they have an expectation that the relationship will last a reasonable length at a minimum. This bridges the gap between that expectation and your desire to work together long term. It surfaces real, addressable issues in a way that something can be done rather than just sitting around and waiting for your customer to leave.

CUSTOMER PERFORMANCE

In the case of some products or services, they actually provide measurable impact on their customer’s business. Things such as growing top-line revenue, controlling or reducing a cost, or increasing and

efficiency in a certain area are all common types. If your business provides this kind of impact to your customers, it is critical that you and everyone who serves that customer knows how the customer’s performance is doing. Are you driving the expected results for your customers? Are you exceeding them? If you are exceeding them, that’s a prime opportunity to grow the relationship. If you’re underperforming, that’s the opportunity to make adjustments to your product/service offering for the customer in question and potentially to your broader product/operations.



“THE SHORTCUT THAT I USE IS TO RUN A SURVEY: ‘HOW WOULD YOU FEEL IF YOU COULD NO LONGER USE THIS PRODUCT?’ I AM LOOKING FOR THE PEOPLE THAT ANSWER ‘VERY DISAPPOINTED.’ THEY HAVE THE ANSWERS TO WHERE THE VALUE IS IN THE PRODUCT.

- SEAN ELLIS, AUTHOR AND FORMER VP OF MARKETING AT LOGMELN⁵

CHURN IS A BUSINESS PROBLEM WORTH SOLVING.

IT HAS MULTIPLE CAUSES, SPANNING THE ENTIRE CUSTOMER EXPERIENCE, NOT JUST ACCOUNT SERVICES.

In the full Anatomy of Churn white paper, we break down the entire customer journey, laying out how churn happens. Churn can't be solved just by fixing account service issues. Download Anatomy of Churn below.

[DOWNLOAD FULL REPORT](#)

Or visit anatomyofchurn.com for full report

Sources:

1. [Churn Statistics](#)
2. [Customers 2020: A Progress Report](#)
3. [Temkin Group](#)
4. [Institute of Customer Service](#)
5. [10 Customer Retention Quotes from Hyper Growth Experts](#)

