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THE ANATOMY OF CHURN

CHURN IS AN OPERATIONS 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

IF YOU DON'T ONBOARD AND TREAT YOUR CUSTOMERS WELL, YOU WILL SEE AN INCREASE IN CHURN.

This paper breaks down how churn is affected by operations 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 IS AN ONBOARDING PROBLEM.

TOP-PERFORMING COMPANIES ARE 50% MORE LIKELY THAN THEIR PEERS TO HAVE WELL-DESIGNED USER JOURNEYS THAT FACILITATE CLEAR COMMUNICATION AND A SEAMLESS TRANSACTION ¹

Onboarding is the next phase in the buyer experience after agreeing to a sale. There are generally several steps that occur over a specified period of time that address things like delivery, access, training, teaching, adoption and habitually engaging with the product or service.

SALES DISAPPEARING

Most companies see onboarding as a purely operational issue. They have teams and processes that have nothing to do with the sales team. This is a problem. From the perspective of the customer, the salesperson is ultimately who they bought from. For that person to abruptly be removed, the continuous experience is lost. This is an inversion of trust in an organization. In addition, much-accumulated knowledge and relational trust is immediately off of the table. This prevents internal teams from fulfilling promises made during sales, from having the knowledge of the business problems during sales, and sets the stage for failure much faster than it needs to be.

INDOCTRINATION

The critical achievement here is for the buyer and their expectations to be met. This is where usage of the same vocabulary, demonstration of the same product benefit and features, and same future reality become critical. Again, this is not completely separated from the sales process but is a continuation of the sales effort. Indoctrination is essential as it reinforces what the buyer learned during the buying process, as well as

enables other team members to begin learning about the product or service in question. More often than not there are bigger teams who engage in the purchased product/service than were part of the buying process. When this is the case, it is critical to get the new participants up to speed with the language, process, and expectations of the seller as quickly as possible. When this is not done, the new players are left with their own expectations of how things should work and what results will follow. User expectation gaps drive churn.

ADOPTION

Adoption is simply using the product or service that was purchased. As obvious as this may seem, as business people, we all have things that we have or pay for that we either never use or have not used to their fullest. Adoption comes when proper business systems and relational engagements reinforce for all users what was agreed to during sales. The customers cannot be left to their own devices here. It is in your business' best interest to make sure that your buyers adapt to your product or services, your business systems, and your expected communication structures. Any shortfalls here will lead to inevitable P&LI reviews and lesser value in your product or service in the eyes of the buyers. When these expense reviews occur, things that people think are not critical or valuable will be subject to elimination or replacement, driving up the seller churn.



CHURN IS AN OPERATIONS PROBLEM.

PROVIDING CUSTOMERS WITH SHORT TUTORIALS ON PRODUCT FEATURES BEFORE HANGING UP CAN REDUCE CHURN BY 6%²

Operations is where your core product or service is delivered. It's what your customers bought from you and where promises made in marketing/sales are kept.

INADEQUATE PRODUCT

Overpromising during marketing and sales is the down payment on this issue. In this case, inadequate can mean both inferior and simply not up to the standards of what was promised earlier in the relationship. This can be simply not doing what it said it would do at all to not performing to the level or impact that was promised or expected. This is where things like downtime, missed deadlines, unavailability of service providers, etc. lives.

INAPPROPRIATE PRODUCT

When sales doesn't do a good job at properly qualifying the needs and solutions of their customers, they can end up with the wrong product or service. This one doesn't usually take long for customers to figure out and is essential for businesses to understand when this does happen, and quickly adopt their customers to the right product or service. Every day under the wrong agreement with your customers is one day closer to the relationship ending before it needs to.



WE SEE OUR CUSTOMERS AS INVITED GUESTS TO A PARTY, AND WE ARE THE HOSTS. IT'S OUR JOB EVERY DAY TO MAKE EVERY IMPORTANT ASPECT OF THE CUSTOMER EXPERIENCE A LITTLE BETTER.

- JEFF BEZOS, FOUNDER AND CEO AT AMAZON³

CHURN IS A BUSINESS PROBLEM WORTH SOLVING.

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

It has multiple causes, spanning the entire customer experience, not just operations. 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 operations issues.

DOWNLOAD FULL REPORT

Or visit anatomyofchurn.com for full report

Sources:

1. [Customer Experience](#)
2. [Harvard Business Review](#)
3. [10 Customer Retention Quotes from Hypergrowth Experts](#)

