Business Leaders Must Not Lose Sight of Current Customers and Loyalty for Growth

How to reduce churn with data and marketing

Business Leaders Must Not Lose Sight of Current Customers and Loyalty for Growth

Moving your business forward to drive growth is increasingly challenging in today's market. The market changes brought on by the pandemic will charge leaders of suppliers, distributors, and wholesalers to rethink how they operate to increase market share and growth. There are opportunities to drive growth if CEOs manage their challenges in the wake of the disruption.

Leaders also have many other challenges, such as supply chains, sales, marketing, data, churn, and the list goes on. Innovation is a priority for leaders to transform and drive growth. This transformation comes in many forms from Innovation of new products but also new business models and ways to engage customers.
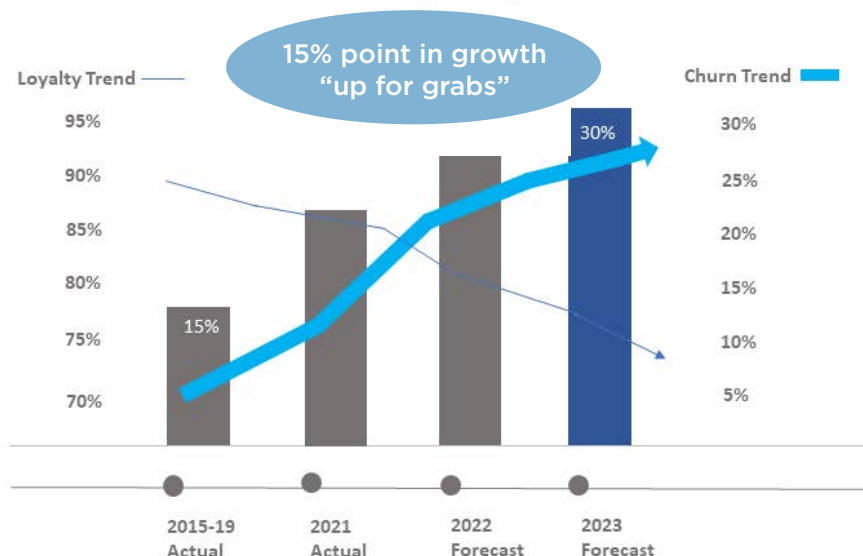
> The market changes brought on by the pandemic will charge leaders to rethink how they operate to increase market share and growth.

While businesses combat all this change in the B2B marketplace, they risk losing sight of what truly is their key revenue generating opportunities, their current customers. According to Precision, an industry leader of B2B data and insights, customer loyalty is decreasing from 85% (pre-Covid) to 70% by 2023, driven by changes in the marketplace sparked by the pandemic. And with churn rates on pace to double from 15% to 30% by 2023, businesses have an incremental 15% points in growth "up for grabs" if they invest efforts to retain customers and reduce churn.

Churn & Loyalty Trends

15% point in growth "up for grabs"

Loyalty Trend ——

Churn Trend ▬

| Loyalty | 2015-19 Actual | 2021 Actual | 2022 Forecast | 2023 Forecast | Churn |

95% — 30%
90% — 25%
85% — 20%
80% — 15%
75% — 10%
70% — 5%

15% (2015-19 Actual), 30% (2023 Forecast)

2015-19 Actual   2021 Actual   2022 Forecast   2023 Forecast

*Precision B2B churn analysis based on 2015-19 (pre-COVID outbreak) averages and 2021-23 (post-COVID outbreak) trends. These are not averages for the market.

Customer retention measures how successful companies are at satisfying existing customers. It also increases ROI, boosts loyalty, and sets the stage for new customers. It is easier and more cost-effective to retain customers than to acquire new ones, returning customers spend more and buy more often. A 5% increase in customer retention can increase company revenue by 25%+ over 4 years.

> **❝** Companies must first determine how to measure churn consistently within their organization, based on the same definition."   - Colin Campbell
> Executive Chairman of Precision
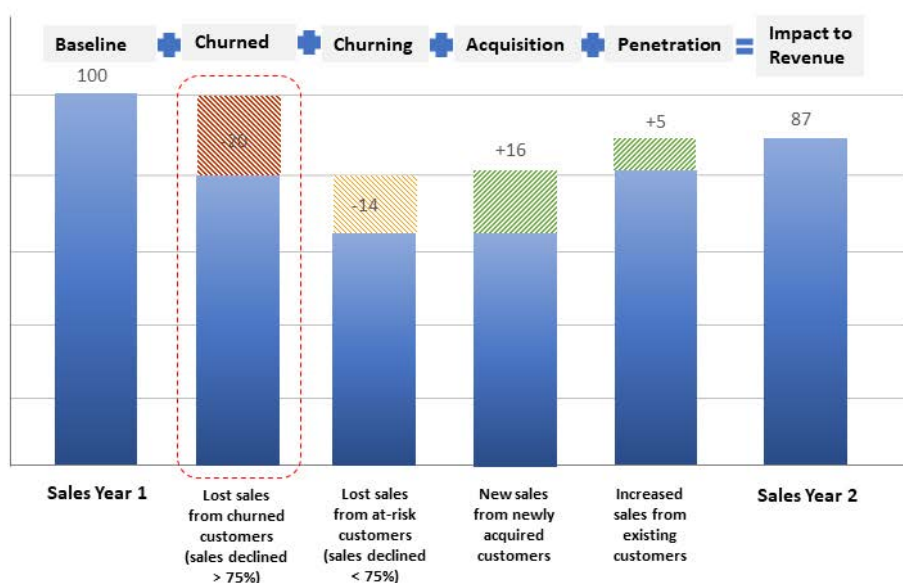
Defining churn

To understand customer retention, you must understand churn. Churn is a topic that means many different things to different roles in an organization.

So, as a best practice, "companies must first determine how to measure churn consistently within their organization, based on the same definition," according to Colin Campbell, Executive Chairman of Precision.

A common definition for customer churn is cited as the number of customers who stop doing business with you during a given timeframe. Precision maintains a more effective standard to that defines churn as customers whose sales have dropped by more than 75% vs. prior period. Using this definition, a churned customer is the same as a lost customer, providing a clear measurement standard.

Churn & Customer Loyalty Methodology

Baseline	+	Churned	+	Churning	+	Acquisition	+	Penetration	=	Impact to Revenue

100

+5   87

+16

-14

Sales Year 1 | Lost sales from churned customers (sales declined > 75%) | Lost sales from at-risk customers (sales declined < 75%) | New sales from newly acquired customers | Increased sales from existing customers | Sales Year 2

*Chart is for illustration purposes only. Churned, churning, acquisition, and penetration rates vary by company, industry and year. These are not indicative of the market.

Why understanding churn is critical for success

Churn can sometimes be misunderstood. Sales teams often complain that prices are too high, or the delivery service quality is too low, and this is the reason for lost

customers. These complaints come with frustration, emotion, and convictions that can cause internal conflict, tension, and anger within an organization.

These emotions may not be correct. The best approach to solve for churn is to look at the customer behavior, demographics, and market basket, and factually determine

what is causing the lost customers. Many companies have the customer data but are not sure how to use this data to determine the root causes of lost customers (churn).

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Variables that influence churn

There are many potential causes of churn and a decrease in customer loyalty that can vary based on your industry, market, segment of your business, product and service offerings, and geography.

Examples include:

- Demographic of the customer – annual purchases ($), annual sales (overall size of company), segment & subsegment, financial performance, urban vs. rural, distance from warehouse, sales rep, etc.

- Behavioral – order frequency (normal and non-normal for size of customer), order method, order patterns, time and day of orders, etc.
- Market Basket – what and how many products, categories, brands, and normalized and non-normalized for size of customers, pricing, etc.

Once you have compiled these variables (typically 100+), determining which variables are most important to reduce churn is the next step.

You can utilize your "gut feel" to decide, do informal or formal surveys of the team members for their assessments, or apply statistical modeling to determine which variables have the biggest impact on customer loyalty. You can do this in-house if you have the market and statistical modeling expertise or use a 3rd party partner with the market expertise and statistical tools required. Either way you choose, make sure you continue to use a systemic and factual approach that is an ongoing statistical process and document the data sources. Recognize this process is an investment, which in the end the return on reduced churn will provide a significant positive ROI (increased sales).

Once the key variables driving customer churn are determined, there are opportunities for companies to utilize a consulting firm to help identify sales & marketing action plans to support implementation. You may need a consulting team who can ride through the implementation process all the way to the go-to-market stage through to the results and beyond.

The best approach for success includes:

1) Commit to developing a customer loyalty strategic plan - ongoing
2) Utilize an analytics partner to help benchmark against competition (this is best completed with an organization who owns competitive data)
3) Brainstorm potential independent variables that impact churn
4) Statistically model the independent variables to factually determine which 3-5 have highest correlation to reduced churn
5) Develop a strategic marketing plan with campaigns to "move the dial" on these 3-5 variables
6) Define in your plan KPIs and % incremental annual growth
7) Execute against plan and monitor results with data

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Marketing to reduce churn

Based on the data and the results, we can develop a roadmap for customer loyalty utilizing a marketing plan. In this plan, leaders should have defined sales and marketing campaigns to drive the customer retention programming by applying the data and analytics.

In times of crisis, consumers feel compelled to adjust their purchasing behavior, whether consumers choose to switch to big named brands out of the need for trust or generic brands out of the need to save more. Leaders who are in the B2B arena, who are at risk for a lost customer, must use analytics to improve customer retention.

Below are ways to drive customer retention:

1) Track and analyze churn metrics
2) Break down this list of customers by highest volume and use the 80/20 rule
3) Develop a customer feedback process, include a contact us on your website and phone or email survey regarding challenges and pain points
4) Keep all levels of communications open, from internal communications to external, create an editorial calendar and nurture campaign for all communications to include direct mail, email, and social touchpoints to customers indicating the upcoming and new programming and how the company overcomes some of the challenges mentioned in the survey
5) Create an onboarding or new customer education program to communicate the programs you have for customers from sales, customer service to online resources
6) Start a continuous customer education program via webinars or videos, so your customers are aware of company news and marketing promotions
7) Sales teams should have a detailed plan or ongoing checklist for assessments, new innovations, and ways to overcome challenges and pain points for their customers monthly
8) Benchmark Churn vs. competitors. Complete ongoing Strength, Weakness, Opportunities, Threats (SWOT) analysis on yourself and competition

About Precision

Precision is a market leader in B2B Big Data solutions for suppliers, distributors, and wholesalers worldwide and a trusted partner invested in helping our clients grow.

By leveraging the inherent value of data and the power of statistics, Precision provides fact-based tools and interpretive statistical big data services to enable our client partners to maximize their return on investment and achieve their incremental growth and profitability goals.

Our data-driven tools and services include:

- **Syndicated Market Insights**
- **Channel Sales Analytics**
- **M&A Data Services**

With 20+ years of experience, deep industry knowledge, and unique B2B data sources, Precision is uniquely serves the B2B professional markets across a variety of vertical markets and end-user segments. We believe data has the power to solve global business challenges, and we work with our client partners every day to prove it.

Precision provides partners access to a proprietary Customer Loyalty Statistical Model that plays a key role in delivering 5% incremental growth per year. Precision has provided this model to partners for over 10 years, 100% focused on the B2B market. Precision also provides competitive benchmarking of churn rates and customer loyalty by supplier, distributor, or wholesaler.

Do you need help with churn data and insights to drive growth in your organization?

Reach out to Precision: *Brett Friedman, CEO Precision, bfriedman@precisioncorp.net*

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About C3Consulting (C3C)

C3Consulting was created to provide B2B customers with strategies that will help you break through the noise and improve your "Go-to-Market" strategies. Our Accelerated Impact Model (AIM) is a three-phased approach in which we Connect with you, Collaborate and Communicate to develop a detailed plan that supports your vision for growth. C3C helps companies enhance their "Go-to-Market" programs, including:

- Operational effectiveness
- Customer segmentation or market development
- Customer relationship management (CRM)
- Brand building
- Product/category development
- Marketing
- E-commerce
- Communications (Messaging, PR, Content, Digital Marketing, Social Ambassadors)

AIM includes a series of exercises to enable us to become completely immersed in the current state of your organization. The goal is to think critically about the unmet needs of your customers, whether they are distribution partners or end users. It's a deep dive that helps determine the core purpose of your organization for your current and future customers. This clarity of vision leads to a "Purpose" statement that enables you to present your company's value proposition effectively and concisely. Once the purpose statement is created, it can be used for messaging, branding, and product performance deliverables.

Next, we build a plan. For this we use, OGSIM – a five step process consisting of Objectives, Goals, Strategies, Initiatives, and Measurements. The final step is execution. All items cannot be completed simultaneously, so we prioritize what needs to happen in what order. This is particularly important with Strategies and Initiatives since they directly feed into a team's workload and an organization's progress. The previously mentioned KPIs will provide a measuring tool and milestones. Positive results will energize the entire team!

Do you need help building or rebuilding a plan to achieve your vision for growth?

Reach out to C3C:

Craig Martin, *founder of C3Consulting, cmartin@c3cteam.com*

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