

Why Customers Defect

By Mary Sullivan

You've heard the adage, "It costs five times as much to attract a new customer as it does to retain an old one." Even if you question the multiplier number, you know the concept is valid. And yet, businesses don't always realize when former customers have decided not to buy from them again.

One possible clue: Sales are down. Granted, in a recession most everyone's sales are down, but this is not a time to get complacent. Another clue: People are bad-mouthing your business online. How would you know that's happening? There are many tools that allow you to [monitor whether anyone is talking about you](#) on social networks.

Customers decide not to come back to a business when they have expectations that the business, service or product are not fulfilling. Invariably, they find an alternative. There goes somebody's market share.

The trick is to learn what customers expect of your business in advance of their departure. Next, ask them how well you're meeting those expectations, and implement changes that will keep them on board. Best to ask before they go, but if it's too late and they're gone, ask anyway.

I recently wrapped up a project for a business services company to help them uncover reasons for a fairly high customer defection rate. They knew a few of their small business customers had ceased operations when the economy took a nosedive. But they wondered what else might be wrong.

We pulled a list of customers that had left during the last year and undertook to interview as many of them as we could. We offered to make a generous donation to a nationwide health organization in the name of each business that granted us a 10-minute interview. Some contacts just weren't reachable after multiple calls, so we sent out a survey to those. Nearly 25% of the former customers did participate in an interview, and over 8% responded to the online survey.

The results were both predictable and surprising, in turns. They had anticipated that some customers were upset by a price increase that occurred when the recession started. But they hadn't realized that their one-size-fits-all bundle of services really didn't work for everyone. Patterns emerged, and profiles of several different types of offerings that customers wanted became evident.

Better than finding out why they've gone, take active steps now to understand your customers' expectations while they are still with you.

- Set up a social media-monitoring tool to alert you if people are posting comments about your business online. Identify someone in your organization to track and respond promptly to both positive and negative comments.
- Invite key decision-makers to a [customer advisory board](#) meeting. If possible, bring in an independent facilitator, and hold the meeting to a preset agenda that is relevant to the attendees.
- Encourage product management and marketing people to meet with a few different customers semi-annually to discuss how they are using what you offer, what they like, and what's missing.
- Conduct a survey to determine what is important to your customers. Ask someone who is not so close to your business to help you frame the questions. Provide respondents the option to give more detailed, off-script comments.
- When you gain insight into what you can do to be a better partner to your customers, make it happen.

If you did this last year, that's good! Now, it's time to do it again. Customers' needs change. Just remember, it may "cost you five times more" if you don't keep taking their temperature.

Mary Sullivan is a co-founder of KickStart Alliance and has held sales, marketing and product management positions through her more than 20 years in tech. For more information on how to gain customer insights and integrate them into your product, marketing and sales initiatives, please [contact Mary](#). And visit www.kickstartall.com/resources to find more helpful articles on marketing and sales topics.

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