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Seven Strategies for B2B Customer Retention

Business marketers have much to gain from retention marketing. Business customers tend to be fewer in number, and each is more valuable—meaning you can't afford to lose even one. But how do you keep your customers active and buying from you, vs. the competition? How do you prevent defection?

Let's look at seven strategic approaches to retention marketing that, in judicious combination, can enhance the retention of the business customer base and, in turn, drive additional revenue and profit.

1. Meeting and exceeding customer expectations

The first essential strategy in retention marketing is to deliver on the promise made to the customer at the point of acquisition. Meeting customer expectations is simply "meets minimum requirement for doing ongoing business." Any dissatisfaction with the product, service, or experience will be an insurmountable barrier to retention. The best retention marketing in the world cannot overcome product problems.

So the first step in developing a retention strategy is to ensure that you have a viable, competitive product, and all the other elements of product marketing are in place—that its features meet the market's need, that its quality is satisfactory, and that it is priced correctly and distributed well. In short, a maniacal focus on the core business is essential. Without this, any investment in retention programs is doomed—and a waste.

2. Customer service

The same logic applies to the question of problem resolution. If a customer's product or service problem is not resolved quickly and satisfactorily, retention strategies are fruitless.

This is not an easy matter, however. As buyer expectations rise, companies find that they must invest in higher levels of service than ever. But customer service has traditionally been viewed as a cost center, and a drain on profits. So less enlightened companies feel pressured to squeeze expense out of the customer service function.
However, studies have shown that strong service levels can have an important payoff in retention, and thus in long-term profits. For one thing, a customer whose problem was identified and resolved has been shown to indicate a stronger intention to repurchase than even a customer who never had a problem in the first place.

One strategy to consider is migrating the customer service function from a cost center to a profit center by training and motivating service reps to take advantage of opportunities to sell more to the account.

How To Measure Retention

If retention is difficult to define, it can be even harder to measure, especially for business marketers. The fundamental problem lies, ironically, in the value of the business customer. You want to retain them because they are so valuable. Yet, setting up metrics is difficult in fact because they are so valuable.

The ideal marketing metric is based on the test-and-control method. So ideally you want to isolate a certain set of customers from the rest of the customer base, apply your retention tactic to the remainder, and see what kind of lift you experienced in such obvious metrics as:

- Repeat purchase
- Average order size
- Purchase of multiple products or services
- Referral to buyers in other departments or in outside companies

But in most business marketing situations, it's well nigh impossible to set up control groups, for the following reasons:

- Salespeople worry about inconsistent messages and offers going into their territories
- Management worries about leaving money on the table when eliminating promotions to control accounts
- Testing incurs extra expense and time investment
- Universes are small, and products change rapidly, so this year's test may not apply to next year's business environment

So business marketers are limited to proxy measures, among them:

- Measuring against yourself, over time. So you would look at churn rate, or repeat buying rate by segment, or any other metric, year on year, and hope for an improvement
- Measuring against your industry. Some industry groups invest in the kind of research that assesses benchmarks against which any individual player can measure performance.
- Whatever measurement plan you adopt, the important thing is that you set benchmarks and expectations in advance, so you can declare success (or failure) with clarity after your retention programs have been operational over a reasonable time.

Retention Tactics That Work

- Survey customers (ask what they value, and how you're doing)
- Survey employees (they are the front line to customers)
- Newsletters (print or digital)
- Proprietary magazines
- Special events
- Affinity merchandise
- Lights-out marketing (meaning automated communications triggered by predetermined decision rules)
- Outbound communications
- Contests and awards
- Special service levels
- Welcome programs
- Advisory board
- Occasional thank-you notes
- Sales force incentives
- Rewards programs

3. Penetration marketing

If you agree that customer acquisition represents an expense—or more accurately, an investment—and that the customer relationship only becomes profitable upon retention, then penetration is where the firm's profits lie. Penetration marketing is about maximizing the value of the customer asset by optimizing the sales to current customers, namely by cross-selling and upselling.

In business markets, the concept is typically called account penetration, and is often the province of the salesperson assigned to the account. Skilled sales people are natural upsellers and cross-sellers. But the marketing function can boost the productivity of the sales force with predictive modeling to identify opportunity and campaigns to generate leads.

4. Defection prevention

The single best way to ensure retention is by preventing defection. An alert marketer can easily put in place effective defection prevention strategies. Why? Because defecting customers almost always give off signals of their impending departure—if you are prepared to pay attention. All it takes is that you identify the key variables, and set up tripwires to capture the signals and put in place programs to remedy them.

5. Continuous-relationship selling

Most of us marketers are slaves to one-off selling. To any given customer, we sell, and then sell again, whether it's an upsell or a cross-sell. We are always hounding our customers to buy, and in the process we not only may make a pest of ourselves, we also incur considerable selling expense.

But what if you could convert a customer to a continuous buying relationship? Persuade the customer to accept an ongoing stream of product deliveries, on terms agreed upon in advance, and delivered automatically. Essentially, this moves a customer to a replenishment scenario, characterized in recent decades by just-in-time delivery of component parts and raw materials in manufacturing.

In this way, the expense and time of reselling is eliminated, and revenue streams are smoother and more predictable. Certain businesses are set up for continuous selling methods from the get-go, among them telecom, financial services, pharmaceuticals, and media. But there's no reason why you can't create such a model for your business, whether for certain customer sets or particular product lines. Any time a product or service calls for repeat selling, or natural upselling, you may be able to convert it to a continuous-relationship selling structure.

Business marketers have enjoyed success creating continuous sales scenarios with such situations as:

- Post-sales support services
- Replacement parts
- Just-in-time components
- Consumable products, like office supplies
- Professional services

6. Loyalty programs

Taking a page from the consumer world, some business marketers have found success with frequency marketing programs that reward customers for certain behaviors, such as repeat purchases. These programs are not universally applicable in business, but they have their place, particularly in situations characterized by the following:

- A market that is highly competitive, where a competitive advantage is critically important
- Management disinclined to compete on price, so an alternate source of value is needed
- High fixed costs but low variable costs, which support reasonable redemption expense
- Inventory is perishable, so the value declines as the deadline approaches
- Purchase cycle is short, and purchase behavior can be tracked

One of the most obvious opportunities for rewards programs is in businesses that mimic consumer purchasing behavior, like office supplies. Staples, for example, runs a thriving rewards program targeted to its small-medium business customers.

Outside of classic frequency marketing programs, however, there are abundant ways that business marketers can reward desired customer behavior. A long-standing practice has been special service levels. Best customers are assigned the top account reps and given dedicated customer service personnel to support them. Or the firm may build a special intranet behind the top customer's own corporate firewall, allowing 24/7 purchasing at the pre-negotiated contract terms, and providing reporting back to purchasing officials about buying behavior across the corporation.

7. Win back

Despite the brilliance of your retention marketing, at some point, a tragedy may occur: You lose a customer—but this is not a time for despair. In fact, customer defection presents an opportunity. Here's why.

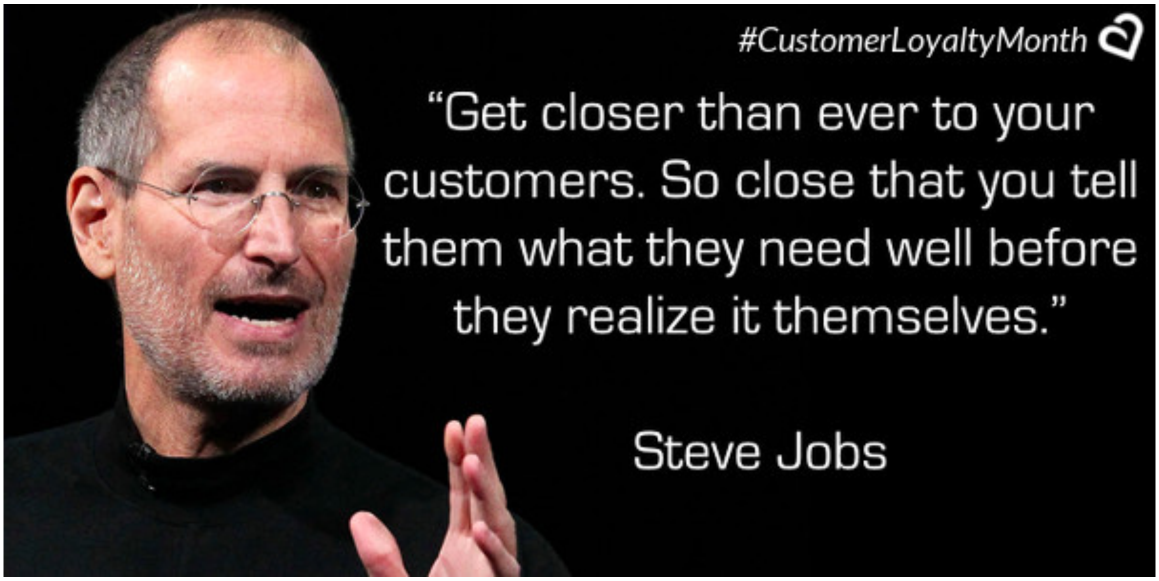
The first step in reversing a defection is to consider very carefully whether in fact you want the customer back. It could be that this customer is simply not right for you. That the cost to serve is too high.That the margins have been beaten down to the point of unprofitability. It may be better to let the customer move to a competitor who is able to make the relationship profitable.

But if the customer is of value to you, then you need to establish a win-back process. The first step in win back is to find out what went wrong and try to fix the problem. In most business marketing situations, this part of the process is the province of customer service or account management. They must assess the situation and apply, very quickly, the kind of solution that will bring the customer back to the fold. It is critical that these reps be knowledgeable and empowered to take fast action.

In many cases, fast triage will not solve the longer term problem. It will take more time and effort to persuade the customer to return. So businesses put in place dedicated win-back sales teams. It's not easy work—and it can't be done by the regular sales force, which focuses on volume and fast opportunity. The win-back sales team needs special training and, above all, special compensation, to work on bringing customers back.

Conclusion

Loyalty represents the source of all profits. Focusing on providing ongoing value to customers, identifying opportunities to improve that value, preventing at-risk customers from defecting, and reactivating profitable customers when they do defect—these are the marketing activities that will ensure maximum shareholder value.



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