

# The Leaky Bucket

## Four ways to fix your customer retention issues

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Imagine using a bucket of water to wash your car. But the only bucket you have has lots of holes in it. To keep it full of water you have three options:

1. Keep putting more water into the bucket
2. Fix the holes
3. Get a new bucket

Option 1 requires too much effort and is highly inefficient.

Option 3 is too expensive. So how do you set about fixing the holes?

### What has this got to do with customer retention?

Well, a lot of companies go with approach number one to fix their customer retention issues. Instead of fixing the root causes of their retention problem, they simply top up their “bucket” with lots of new customers to replace the ones that churn out of their “holes”.

Many companies spend an absolute fortune on acquisition for very little profitable growth. The Leaky Bucket approach is a very expensive way to run a business. With the economic downturn, the days of high spend acquisition campaigns are over. Retaining your existing customers, and delivering profitable growth is more important than ever.

This summary is based on the examination of four of the **most material impacts on customer retention** and offers **some solutions on how to tackle customer churn effectively**.

### Four key themes of why you have a leaky bucket:

#### 1. The largest cause of churn is actually aggressive acquisition.

An aggressive acquisition strategy will, without fail and create customer management problems in the future.

For every business it is critical to get this right to achieve sustainable and profitable growth as opposed to growth irrespective of costs!

#### 2. Failure of previous incarnations of CRM have spawned an ultra simplistic approach to marketing, i.e. to push as many products and services for customers.

The individual customer is king and to deliver genuine profitable customer growth, businesses need to respond to, and **predict individual customer behaviour**. **Segmentation is fundamental for the definition of strategies**.

These must be related to, and re-directed to the individual customers and the potential value they can create.

#### 3. Customer loyalty – or bribery for signing on the dotted line...?

If businesses are serious about identifying their most at-risk customers and properly apply proactive retention, they regain profitability in their customer retention activities over time.

#### 4. Meeting customer needs = the dying and misunderstood art of good customer service

Customer service is really about customer experience: this means consistent communication through the channel of choice, understanding changing needs and use of brand to set expectations, plus systems which remember previous interactions.



If you want a loyal customer base remember the four key themes of why you have a leaky bucket in the first place, and manage them appropriately.

#### **Four ways to fix your leaky bucket (i.e. your customer retention issues)**

##### **Set behaviours and expectations of your customers from the day they join.**

Getting acquisition right pays dividends. Getting it wrong makes life difficult for everyone.

##### **Conduct one to one relationships with your prospects and customers across all stages of the customer journey.**

Segment to define your strategy and do CRM again, but this time do it properly with an increasing focus on individual customer profitability.

##### **Positively influence your customer behaviour with good effective marketing.**

Don't rely on reactive strategies to bail you out. Be more proactive in how you interact with your customer base.

##### **Deliver the services and propositions to meet your customer needs and desires.**

Service is about the whole customer experience, not just about call centres.

The final note of caution is that in order to properly fix customer retention, you need two further things:

- A talented and sizeable team of people focused on the customer.
- A cross business team that works together and to the same customer and business goals.

**Contact us at [mosaic@geo-strategies.com](mailto:mosaic@geo-strategies.com) or call us (+44 1223 205080 or +40 722 940) for a full version of "The Leaky Bucket" paper by Russell Woodward, Lead Consultant, Experian.**

**To find out more about what Geo Strategies could do for your business in Romania go to [www.mosaic.geo-strategies.com](http://www.mosaic.geo-strategies.com)**

#### **Summary**

The customer lifecycle is a complicated journey, and requires management at every point. However, businesses seem reluctant to invest in people to manage it and are more intent on creating silos of Marketing teams and Customer Service teams that run with opposing, and often conflicting customer strategies.

All the causes of the leaky bucket are a result of the business not working to the same goals and people have their own objectives and deliverables. The best sports teams are those where the players have a deep understanding of each other and what they do, and play as a team and not as a set of individuals.

The best businesses operate in the same way. Make it so in your business.

#### **About Geo Strategies and Experian**

Geo Strategies and Experian have teamed up to provide information, analytical and marketing services to organisations in Romania to help manage the risk and reward of commercial and financial decisions. Combining their unique information tools and with an understanding of individuals, markets and economies, our teams of consultants work with organisations across industries to establish and strengthen customer relationships and provide their businesses with competitive advantage.

From services in contact strategies, customer journey, CRM and data strategies, to Mosaic consumer segmentation, Micromarketer area analysis and profiling, to the application of customer driven insight and targeting, channel mix - we can assist.