## How to Tell If You're About to Lose a Customer & What to Do Next

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Almost all Los Angeles and Southern California business owners and entrepreneurs have at least one thing in common: they have lost a customer at some point in time. As much as businesses hate losing customers, 100 percent customer retention is pretty much impossible for most firms. Whether through their own fault or factors outside their control, all businesses are bound to lose customers eventually.

The question, then, becomes: How can you minimize customer losses and maximize your customer retention rate? Various studies have shown that it costs much more money — up to five times more, in fact — to acquire a new customer than it does to retain an existing customer. So minimizing customer loss is one of the keys to maintaining and growing sales and boosting profitability.

### Spot the Warning Signs

How exactly can you go about minimizing customer losses? One of the best ways is to learn to spot the early warning signs that might point to a customer who is getting ready to leave *before* they actually leave. For example:

- Has the customer voiced dissatisfaction with your products, level of service or any other aspect of your business or operations?
- If the customer hasn't complained verbally, have they sent out subtle signals that they may not be satisfied or happy?
- Has the customer been unresponsive to your phone calls, emails and other communications?
- Have the customer's payments started arriving after the due date?
- Has the volume of the customer's purchases gone down noticeably?
- Has the customer's tone with you or your employees changed? For example, the customer used to be friendly and chatty but now they are all business.
- Has your main contact at the customer's business been replaced by someone you don't know and don't have a relationship with?
- Has one of your competitors made a bold move into your market area, introduced new and improved or less expensive products and services, or begun a price war that affects key customers?

These could all be subtle hints that a customer is planning to leave your business. Unfortunately, many business owners and managers are blissfully unaware of these early warning signs of customer attrition. When a customer leaves, they are shocked, surprised and scrambling to try to replace the lost revenue and profits and minimize the damage to the company's finances.

 

**Be Proactive in Customer Retention**

The key to spotting these early warning signs before it's too late is to be *proactive* when it comes to looking for them. Or in other words, make a conscious effort to look for and be aware of these and other hints that could lead to the loss of a customer. Doing so requires that you train all of your employees who have any contact with your customers in how to recognize these kinds of signs and what they should do when they're spotted.

Create a master plan for customer retention that's designed to help you analyze customer behaviors like those noted above and then take prompt pre-emptive action when it looks like a customer might be getting ready to leave. The first step usually is to arrange a meeting with the customer to discuss any complaints or dissatisfaction (even if they haven't actually voiced them) and how you will address them. Assure the customer that you are aware of the problem(s) and explain in detail what you're going to do to resolve them.

If your contact person has been replaced, arrange a meeting as soon as possible with the new contact person or people. Your goal should be to get to know your new contacts and start building relationships with them. Often, people come into a new job with relationships they've previously established with other vendors and want to switch vendors at the first opportunity, so move quickly to start building relationships with them yourself.

Meanwhile, if you're facing a new competitive challenge in your marketplace, draft a strategic plan for how you're going to combat the challenge and hold onto your customers. If your competitor is slashing prices, should you follow suit — and if you do, how will this impact your profit margins? Can you lower your costs to help preserve profits? If your competitor has introduced new products and services, how can you differentiate yours from them? And if your competitor has significantly improved product quality or service levels while keeping prices level, how are you going to convince your customers they should remain with you?

As part of your customer retention plan, you should also analyze the profitability of any customers who you think might be getting ready to leave. If a customer is marginally profitable or unprofitable, it might not make sense to expend too much effort toward retention. Losing this customer could end up being a blessing in disguise.

**Concluding Thoughts**

As much as businesses hate losing customers, 100 percent customer retention is pretty much impossible for most firms. So the question becomes: How can you minimize customer losses and maximize your customer retention rate? One of the best ways is to learn to spot the early warning signs that might point to a customer getting ready to leave. Then implement a customer retention plan that you already devised to help you analyze customer behaviors and take pre-emptive action when it looks like a customer might have one foot out the door.

**About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we are passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 800.276.1750 Ext 101.