



Client Churn Rate: Fallacies and Confusion

Leadership Shoots Itself in the Foot

In one typical B2B principal survey, 93% of respondents said that customer retention is just as or more important than new client acquisition. Yet client churn continues at very expensive rates in many of the same organizations. In fact, many of these same organizations are paying their marketing and sales management for new clients far and away more than they are for client retention. And this is in a strong economy! When the economy turns and the typical client starts shopping around to reduce cost, these same companies will be in the same wheelbarrow as most of the rest, blaming their reduced revenues and lower profit margins on the downturn.

Challenges in Measuring Client-Acquisition Cost & Understanding the Other Side of the Coin

- **The Challenge:** CAC (Client Acquisition Cost) norms in the B2B space are hard to come by. And when a well-grounded one by a respectable third party is found, the likelihood of it being in your vertical, which can swing churn rates significantly on its own, is rare. Furthermore, they often lack all the related costs you'll be incurring. And they often do a poor job of addressing the specifics of your industry, with such glaring examples such as whether your sales model is OPEX or CAPEX oriented. This naturally impacts how one measures your CLV (Client Lifetime Value). And if one thinks a quick Google search might yield a rough roadmap, what a crowded field with over 5.4 million options presented.
- **The Other Side of the Coin:** Even if you had a rock-solid CAC in hand, do you know your client churn rate? And a solid answer means factoring in frequency of payment for services, timing of churn as it can significantly impact CLV, important differentiators of client vs service churn, etc.





Paradigm's Suggestion: Get Serious About Your Installed Base

1. There's nothing more valuable than a very sticky and loyal customer.
 - They buy all your services that make sense...no skimmers of loss leaders, etc.
 - Willing to pay the premium as they embrace your value proposition
 - Most likely to buy new products/services as introduced
 - A source of good referrals which provide a very high close rate
 - Have a very low cost of sales hence improving your profit margins further
2. Understand that catering to an installed base is a different skill set than getting them in the first place. Without a paradigm shift of approach, and quite possibly talent, no meaningful impact will occur in an installed base endeavor.

