



▣ reduce to the maximum.

THE SECRETS OF CUSTOMER RETENTION

Retaining existing customers is not only about producing the best product. To maximize customer lifetime value (the net profit earned over the course of a company's relationship with the customer), a company must not only convince customers to buy its product or service once; it must also retain them.

1. In order to earn higher returns, adding features is the obvious strategy, which increase costs but it may increase revenues as well either by attracting new customers or retaining existing ones. For example, a mobile application can increase the numbers of it's functions to attract new users, or add more elements to make their users feel that it worth to stay with the application.
2. **What is often missed**, that the features retaining customers may be different from the features that initially attract customers.

Research shows that existing strategies for retaining are missing their aim, because they often add expensive features to their offerings without knowing whether or how much the new features will increase retention. This is a problem because on average three-quarters of people who download apps stop using those apps within 90 days, and less than 40% of video game players return to a free-to-play game after the first session.

Why do this happen?

3. Although having more features increase the initial customer choice, it has the opposite effect on customer retention. This is what we call "**feature fatigue**". Hotel companies frequently add amenities, such as fitness centers or free wireless internet access, hoping that they will drive trial, market share, and loyalty. The result is that customers get tired of the proliferation of choices and they only remember to the possibilities useful to them. So, in which case less is more?
4. Some features may be valuable because they **attract** new customers, while others are valuable because they **retain** existing customers.

Therefore it's a good strategy to **attract** customers by more, new features, but in order **to keep** them it's a better choice to not increase the number of existing features making the product complicated (for example a remote controller with even more and smaller buttons).

The same feature can be useful for one goal and harmful for the other. For example, having a strong user community can be a **powerful feature for retaining** gamers. On the other hand, if the

community behaves aggressively toward rookie players, a strong community may scare new users away, thus **not good for attracting**.

5. There is tension between offering the most features to attract customers and offering the right features to bring customers back. The same consumers who say they want more features often end up preferring fewer features once they start using a product. This creates a challenge: sorting out the features people think they want, before they have used a product from the ones that will encourage them to return.

So how is it possible to decide which feature is the right for the goal, and whether a customer needs more or less of it?

6. Customer attraction and customer retention are different phases of the customer lifetime. Analysing and measuring the reasons of customer's behavior, thus the ROI (return on investment) of implemented features is only possible when attracting and retaining factors are looked at separately.
7. A research in hotel industry used three amenities to look into customer behavior and to compute ROI of features: free internet, free bottled water and fitness center. In attracting customers results based on customers choice between features showed that adding free internet influenced traveler's initial choice far more, than adding the other two features. In the case of retaining customers guests reported on an online survey whether they expected to use each feature and whether they actually used each feature during their stay. This data was compared to 18 months' worth of visit and revenue data after and before the stay. Surprisingly, of the three features, bottled water had the largest impact on customer retention and future visits. The above results compared to the total costs of amenities (installation cost, maintenance cost, perusage cost) shows that although all three features showed positive ROI, the effects were driven by different factors. The ROI for free internet was driven by its effects on attracting customers, while the ROI for free bottled water was driven by its effects on retaining customers.

Key insights to consider before introducing new features:

- Consumers are likely to overestimate the likelihood that they will use features.
- Customers tend to be better at identifying features that will attract them than features that will retain them.
- Consider features as an investment in customer lifetime value.
- Before deciding whether to match the competition, it's most important to consider whether the goal in adding the feature is to attract or retain customers.

In summary, a financially sound decision to add a feature depends on a company's proportion of new and existing customers as well as the revenue and cost streams associated with a feature and the customers.