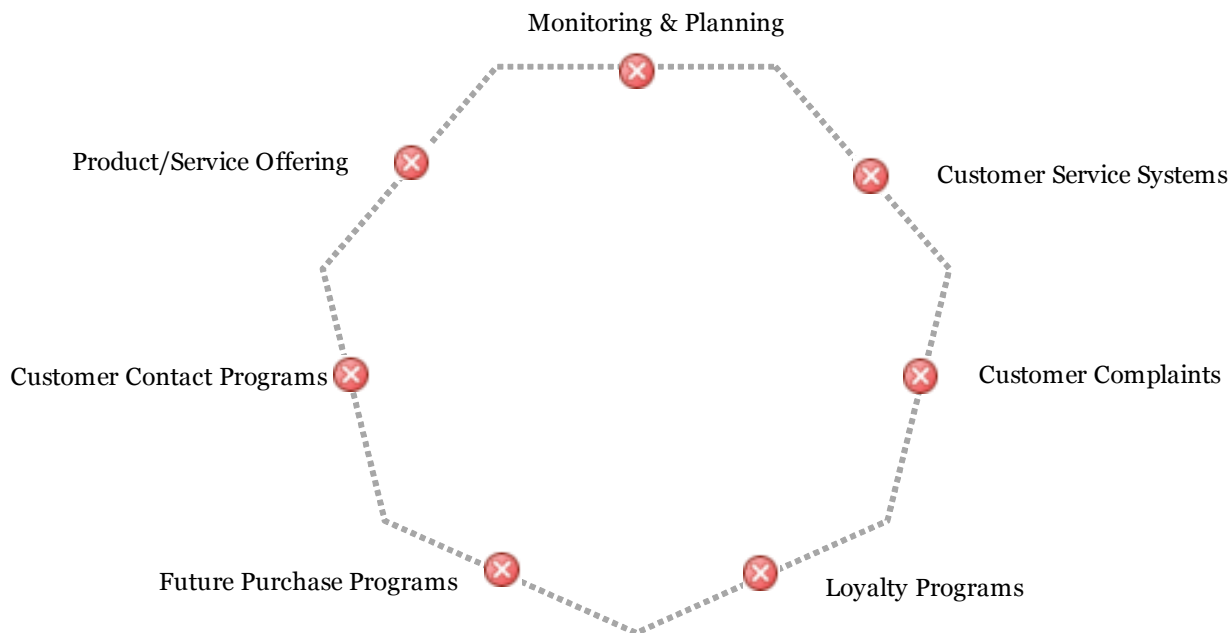


CUSTOMER RETENTION/TRANSACTION FREQUENCY



A business is like a tub of water with the water level being the customer base. Every time a customer acquisition strategy is applied it's like turning on the tap. However, all businesses *lose* customers too. Without a properly constructed customer retention plan, while the tap is pumping water in, it's as if someone has left the plug out.

Most business owners won't notice however, since the tap pumps in water faster than it drains out. But imagine how much fuller the tub would be if you plugged the hole.

That's customer retention. Too often businesses work hard, pulling out all stops to get a customer, but after awhile, take that same customer for granted. Customer retention & transaction frequency are the probably the most important turnover drivers for a small business as it can add the most value to both profits, and the overall value of the business.

Studies have shown the following:

- A 5% reduction of customer defection can result in profit increase of 25-100%.
- A 2% increase in customer retention equals cutting operating cost by 10%.
- It costs at least five times more to obtain new customers than it does to retain (and resell to) customers you already have.