



THE ANATOMY OF CHURN

CHURN IS A SALES PROBLEM

CHURN IS THE RATE AT WHICH CUSTOMERS STOP DOING BUSINESS WITH YOU.

This causes a negative impact on both the former customers and the businesses they leave. To give you some perspective on the financial implications of the issue:



COMPANIES LOSE \$1.6 TRILLION PER YEAR DUE TO CUSTOMER CHURN

And according to the [Forrester](#), it costs **5 times more** to acquire new customers than it does to keep an existing one.¹



REDUCING CHURN BY 5% CAN INCREASE PROFITS BY 25-125%

In business, everything is about the bottom line, and reducing your churn rate will substantially increase your profit margin.²



THE PROBABILITY OF SELLING TO AN EXISTING CUSTOMER IS 60-70%

The probability of selling to a new prospect is 5-20%. Existing customers already know, are satisfied, and trust your brand. With a new prospect, you need to convince them that you are the brand for them. The odds are in your favor to sell to an existing customer!³

SALES TEAMS BUILD RAPPORT, RELATIONSHIPS AND TRUST WITH THE TARGET AUDIENCE. CHURN DEPENDS ON SALES TO FIND THE RIGHT BUYER, PROVIDE THE RIGHT SOLUTION, ALL FOR A PROBLEM WORTH BUYING.

This paper breaks down how churn is affected by sales and is just a piece of the overall picture of churn.

Churn is an organization-wide issue that is affected throughout the customer journey. This is a special concern for businesses with a recurring

revenue model and/or additional products/ services to sell to existing customers. The Anatomy of Churn white paper breaks down each section of the customer journey, while this paper focuses solely on sales. You can download The Anatomy of Churn [here](#) or visit anatomyofchurn.com.



CHURN IS A SALES PROBLEM.

**IF YOU BOOK 10% MORE NEW
BUSINESS THIS MONTH BUT
HAVE A 20% HIGHER CHURN
RATE, YOU'RE ESSENTIALLY
TAKING ONE STEP FORWARD
AND TWO STEPS BACK ¹**

Sales teams build rapport, relationships and trust with the target audience. It's the continuation of the marketing phase, where more specific conversations begin. The business activity here is to take a marketing qualified lead and make it a sales qualified lead. Sales is where a prospect's specific needs are understood and solutions are crafted. Sales should qualify two things:

1. That prospect needs can be met by the selling firms offerings. The seller has the right product or service, and the right solution put together and presented to the customer.
2. The problems are worth solving. Sometimes the cost to solve outweighs the benefits and it's the onus of sales to point this out.

RIGHT BUYER

I can hear some of you saying now, "Anyone that says yes is the right buyer." This attitude will certainly drive your churn upwards. The right buyer is someone who your brand and product or services was designed to help AND who has a known problem that it solves. This will drive your churn downward.

PROBLEM WORTH SOLVING

Before any proper solution can be crafted, recommendations made, or service offerings created, a good salesperson will first determine if the client has a problem worth solving. Is it worth putting money into? If so, is it worth putting the resources required to do so

in regard to the expected impact? Perhaps it's the type of problem that can be solved through internal change without external investment. Perhaps the problem is something that's not an economical solution. It's something that the business in question either learns to live with or properly classify as a nuisance. Not all problems can be solved, or rather, not all business problems ARE worth solving relative to the cost failure. A salesperson must ask this question and in doing so best serves the prospective customer and drives down his company's churn.

RIGHT SOLUTION

This is where good salespeople add the most value to any scenario. Through careful conversation, modeling, assessing, and, in some cases, data or deeper technical review, salespeople craft the appropriate solution that will help the customer with their problem(s). Failure here can be either over or under solutioning. Solutioning simply means selling someone more than what they need to solve their problems. Under-solutioning is the opposite. It is when the proposed product or service meets some, or part of, the customer's needs, but not all. In my experience, this is driven through a predetermined expectation of a fixed budget on behalf of the buyer or a budget number that was thrown out without qualification during the sales process to "over" or "under- solution" your customer during the sales and proposal process, will almost assuredly result in that customer leaving and increasing your churn.

CHURN IS A BUSINESS PROBLEM WORTH SOLVING.

IT HAS MULTIPLE CAUSES, SPANNING THE ENTIRE CUSTOMER EXPERIENCE, NOT JUST SALES.

In the full Anatomy of Churn white paper, we break down the entire customer journey, laying out how churn happens. Churn can't be solved just by fixing sales issues. Download Anatomy of Churn below.

DOWNLOAD FULL REPORT

Or visit anatomyofchurn.com for full report

Sources:

1. [Calculating Churn Rate and 12 Customer Churn Statistics](#)

