

ATTRITION

Your attrition rate is the rate at which you are losing customers each year and it's a natural progression for businesses to lose customers. These are your D customers.

Here's how to calculate your attrition rate:

In a spreadsheet insert data for the past year for each customer you lost, as follows:

1. first column, each lost customer by name.
2. next, insert their total turnover or sales.
3. next, insert their gross profit.
4. next, calculate the GP percentage contributed to your sales for each customer.
5. next, insert the group they fall under i.e. any customer under your required GP is a C customer.
6. next, insert their reason for leaving. C customers will always leave you for price!
7. next, add the turnover (purely for observation) and GP columns.
8. next, insert the total annual GP for the company under the GP column.
9. finally, calculate the lost GP percent by dividing the total GP amount into the total annual company GP amount as a percentage (rounded off).

Customer	Turnover	GP	GP%	Group	Reason for leaving
Lost customer A	50 000	600	1	C	Price
Lost customer B	65 000	500	1	C	Price
Lost customer C	80 000	33 000	41	B	Company merger
Lost customer D	49 000	300	1	C	Price
Lost customer E	78 000	4 000	5	C	Price
Lost customer F	65 000	2 000	3	C	Price
Lost customer G	23 000	200	1	C	Price
Lost customer H	34 000	500	1	C	Price
Lost customer I	24 000	10 000	42	B	No product, went to competitor
Lost customer J	18 000	400	2	C	Price
Lost customer K	55 000	1 000	2	C	Price
Lost customer L	7 000	200	3	C	Price
Total	548 000	52 700			
Total annual GP for company		936 700	6		

ATTRITION

Your loss of customers should not be more than 10% per year. If it is, your business could be in trouble and the only way to find out what's wrong, is to ask your lost customers why they left you – then close any loop-holes quickly.

Ongoing changes happen throughout the marketplace. There is no reason not to contact a lost customer in the future.

- If they left you for poor service and your service has improved, you can ask them for a trial (lost customer E could be a potential B customer).
- If they left you because you didn't have the product they wanted, so they went to your competitor. Now you have it, there's an opportunity to contact them again (lost customer I).
- If they left you due to management changes, there's no harm in introducing your company and products to the new management (lost customer C).
- If they left you for price, can you package products to justify your cost? (C customers)

Review all your lost C customers and consider if they could be a potential B customer. If so, approach them, if not, leave them alone.

Regular surveys are always important to carry out, as they will indicate how the marketplace is reacting to your products and your organisation.

Face to face visits are necessary when approaching lost customers, preferably by appointment.

Always hear a 'NO' as a 'MAYBE' and try again in the future because times do change. When the times right, the door will open!

There are numerous opportunities open to you again, don't be scared to approach your lost customers again. What's the worst thing that can happen to you?