



REDUCING CUSTOMER CHURN IN THE SERVICE INDUSTRY

A Case Study

CLIENT INDUSTRY

- ◆ Deregulated Energy

METHODS

- ◆ Churn research
- ◆ Retention and growth consulting

MODE

- ◆ Questionnaire

SPECS

- ◆ 941 Participants

EXECUTIVE SUMMARY

Gaining new customers is essential to keeping any service provider in business. But if those customers you worked so hard to attract end up **churning**, or quitting your service, then your sales effort is wasted.

This case study takes a look at how understanding your customers and addressing their needs can increase retention rates and reduce churn.

FGI, Inc. designed and executed a **customer retention research & consulting plan** to uncover the key drivers of churn for a deregulated energy service company.

By providing this company with a new understanding of its customers, FGI helped it implement better customer services strategies, reduce churn, and increase revenue.

BACKGROUND

Company T, a deregulated energy service company (ESCO), was successful at bringing in new customers with its multiple rate structures and promises of higher savings than the competition. But while Company T had no trouble earning new business, it wasn't as successful at keeping it.

The company was experiencing high levels of churn—nearly 5 percent—that threatened to diminish the value of its customer acquisition efforts.

QUESTIONS TO SOLVE

1. Why are customers closing their accounts?
2. What service providers are customers switching to?
3. What are the attitudes & perceptions of customers that have quit?
4. How can Company T improve its customer service efforts to decrease churn?



THE SOLUTION

FGI issued a **churn study questionnaire** to 341 current customers and 600 former customers to uncover their perceptions of the company. The sample included both residential and commercial customers.

FINDINGS

- ◆ Churn was occurring across all demographics and with every type of energy plan (fixed and variable)
- ◆ Unfulfilled promises made during the initial selling phase caused customer dissatisfaction
- ◆ Customer service efforts were not being leveraged to reduce churn
- ◆ Former customers felt more comfortable with Company T's competitors

FGI'S SUGGESTIONS

Manage Customer Expectations: It is crucial that a customer's experience with a service provider meet (or exceed) the promises made during a sales pitch. To address this, FGI recommended Company T change how it communicated its value proposition and service offerings, as well as add incentive programs to its service mix. Using data from the churn study, FGI was able to offer specific courses of action for Company T to follow.

Focus on Current Customers: The customers that had already cancelled their plan with Company T and switched to another provider held negative perceptions about the company. Instead of trying to regain the trust of these customers, Company T would be better off focusing its time and money on retaining its current customer base.

Follow-Up: This can be essential to any retention effort, since checking in on customers can make it easier to catch problems before they become too large to manage.

By following FGI's suggestions, the client increased retention rates by almost 20%, the equivalent of nearly \$10 million in revenue per year.

WHAT YOU CAN DO

Churn Study: If customers are abandoning your services for another provider, chances are there is a reason why. Uncovering the cause of customer churn can mean the difference between increasing your revenues and falling behind the competition.

Be Proactive: No matter what industry you are in, listening to customer complaints and concerns is essential. Don't wait until your customer service phone lines become flooded with angry customers to address problems.

ABOUT FGI

For more than 30 years, FGI has been an established provider of market research services, advanced analytic analysis, and research-driven consulting for top companies around the world. Headquartered in Chapel Hill, N.C., FGI's mission is to help businesses stay ahead of the competition by staying connected to their customers.