

Navigating Customer Retention During the Cost of Living Crisis



UNDERSTANDING CUSTOMERS IS KEY TO NAVIGATING THE COST OF LIVING CRISIS

The cost of living crisis was being widely discussed as early as the second half of 2021. But as 2022 continues to progress, it's now become **the** topic of discussion.

According to [The Economist](#), inflation has hit more than 9% year on year across the rich world. It hasn't been this high since the 1980s – and there have never been so many “inflation surprises.” Rising energy prices could also push UK inflation as high as 18% next year, according to [Citi](#).

Consumer confidence is taking a knock-on effect. In many places, it is now even lower than in the early days of the Covid-19 pandemic. And this is already having an impact.

In the UK, the [British Retail Consortium](#) reports a decline in sales volumes not seen since the deep, dark depths of the pandemic. And while US retail sales were stronger than expected in June 2022 (causing some industry analysts to be bullish) after [Bloomberg](#) economists adjusted the data for inflation, it still points to a levelling off in spending.

The long and short of it is this: if you want to retain customers during the global cost of living crisis, you need to focus on understanding customers at a deep, personal level and uncover emerging trends in the feedback they give you about their experiences before it leads to churn.

Only by doing this can you accurately adjust your CX strategy, your products, and your broader business operations in relation to this new customer reality.

Why? Because your customers have less money in their pockets, and you've now got to work harder than ever to get them to continue to stick with you. In times like these, **you need to become more customer-centric.**

‘Without a clear picture of who they are selling to and what they want, retailers won't be able to deliver the changes that are required to not only survive, but come out of the cost of living crisis in a stronger position as customer-centric operations.’

– Paul Martin, UK
Head of Retail, [KPMG](#)



The Economist

BRC

Retail Price Pressures Are Here Already

James Sawley, Head of Retail & Leisure, HSBC UK, reported in [Retail Think Tank](#) [a KPMG-Ipsos joint venture], that

‘retailers are feeling more inflation than consumers. Demand is less of an issue on retailers’ minds compared with mitigating the increased costs of commodities, manufacturing, freight, shipping and labour. All of which are rising faster than consumer prices.’



Some companies may be able to keep prices stable and take the hit. Many who already run their businesses on fragile margins, such as fast fashion retailers, subscription services, and high street stores, will potentially have to put prices up and risk customer disloyalty, which will likely lead to churn.

Analysis of inflation on women’s products by price point in The New Statesman indicates price increases on cheaper products are already in motion. Low-end women’s blouses, jeans, shampoo, and hair dye have already seen more than 20% cost inflation.

Simultaneously, the cost of higher-end products is decreasing. What this tells us is, paradoxically, that across all products, inflation is already having an impact. Because though high-end products are going down in price, this is primarily because expensive purchases are less likely to be made when customers’ bank balances are under inflationary pressure.

As a result, high-end brands are having to reduce prices to make their products more attractive to customers with less money in their pockets.

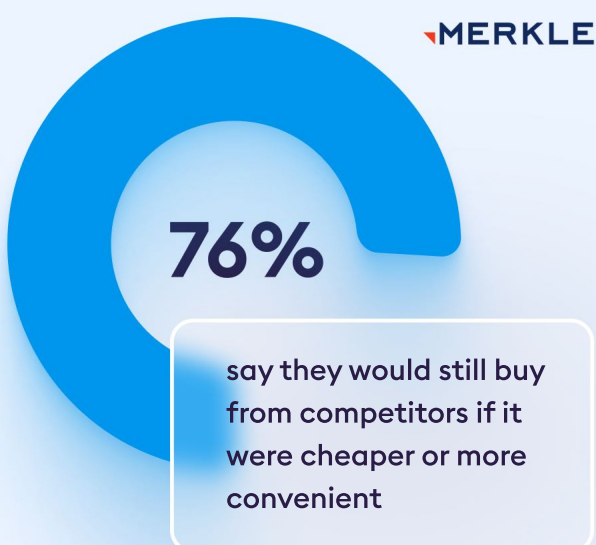
Many High-End Products Have Gone Down In Price, While Their Cheap Counterparts Have Risen

Inflation on women's products by price point, June 2021–June 2022*

Item	High-end	Low-end
Women's blouse	-8%	+57%
Women's jeans- own brand	+0%	+40%
Shampoo	-3%	+33%
Women's hair dye	±0%	+22%
Self-tanning product	-44%	+14%
Tampons	+2%	+11%
Women's dress	-15%	+3%
Women's casual skirt	-25%	±0%
Women's casual trousers	-19%	±0%
Bra	-9%	±0%

Source: [New Statesman](#)

The Issue Of Customer Disloyalty When Times Get Tough



Merkle research tells us that “consumers are more open to shopping around than ever before. Even of those who define themselves as brand loyal, 76% say they would still buy from competitors if it were cheaper or more convenient.”

Price pressures. Less discretionary spending. Disloyal customers. This is a new customer reality.

CX professionals need to take heed. Because if we don’t crack customer retention now by listening to and understanding customers, and acting



upon insights gleaned from this, the businesses we work for may no longer exist.

Scary times, indeed. But, though challenging, the cost of living crisis could also potentially be an opportunity to start impacting your business in a powerful way. By understanding customers. By unifying your business around customers. And by delivering CX strategies that actively drive loyalty, retention, and customer delight.

As **Paul Martin, UK Head of Retail, KPMG**, says,

“the businesses that focus on better understanding customers during these times will come out of the cost of living crisis in a stronger position.”



It’s time we all took that into account.

To help you fully comprehend this new customer reality, how you should go about reacting to it, and what technology you might need to help you maintain and drive retention, we’ve researched and analysed insights from economists, analysts, and the world’s leading customer-centric brands to uncover how you might effectively navigate customer retention in the cost of living crisis.

CUSTOMER RETENTION MATTERS MORE THAN EVER

As CX leaders, we know that customer loyalty and retention are key to growth. The numbers have been clear ever since customer retention began to be measured.

Affordability

It's 6-7 times more expensive to acquire a new customer than to retain an existing customer. ([American Express](#))

ROI

A 5% increase in customer retention can increase company revenue by 25-95%. ([Bain & Company](#))

Loyalty

Retained customers buy more often and spend more than newer customers. ([Bain & Company](#))

Referrals

Satisfied, loyal customers are more likely to sing a company's praises and refer their friends and family – bringing in new customers to your business, free of charge. ([Bain & Company](#))

As you can see, the case for focusing on customer retention is crystal clear. And when we add that improving customer retention is the number one reason business leaders invest in customer experience (42% agreed with this statement), it's a good idea to focus on this area – especially as the C-suite look to cut costs.



What We're Seeing So Far

In today's challenging economy, with interest rates rising, and a recession looming across the western world, customers are reconsidering their options.

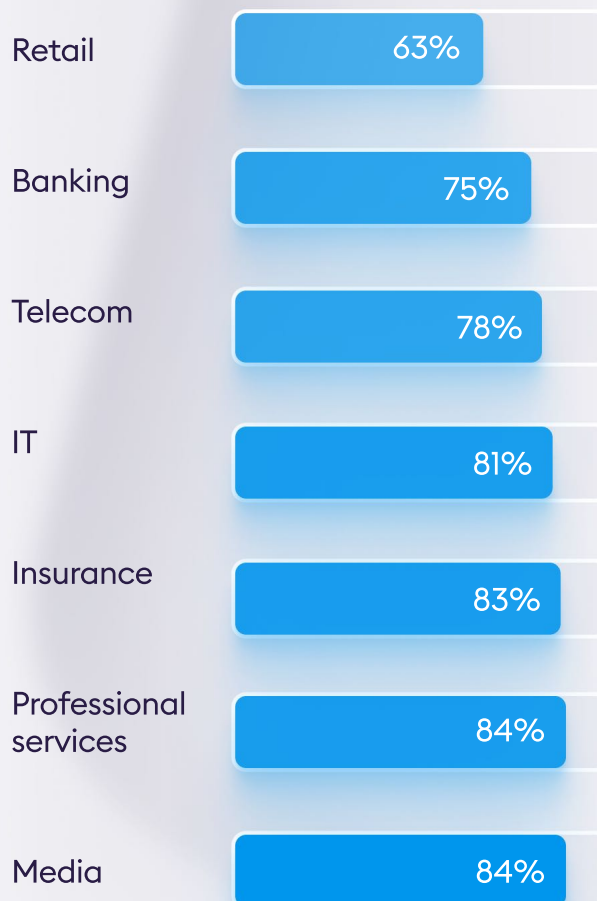
Subscription services especially have been massively impacted by declining real-world household income. But they're not alone.

In the second quarter of 2022, [Netflix](#) lost 970,000 subscribers, [Amazon Prime](#) lost 589,000 users quarter-on-quarter from 13.35m to 12.76m, and financial protection brand [MetLife](#) figures show more than eight million adults have cancelled monthly outgoings to combat rising bills.

Banks report similar findings. [HSBC](#) says customers had cancelled 2,500 recurring payments a day in the first three months of the year, while [Lloyds](#) reported processing 1.2 million subscription cancellations since last summer.

This trend is not unique to subscription services. It is common across retail, financial services, and travel. What we see across industries is this: customers are not only actively seeking out ways to cut back on their spending, they're doing it.

Average Customer Retention Rates By Industry



Source: [Statista](#)

Given this, and what we know about how much more expensive it is to acquire new customers than it is to retain them, as CX leaders, we need to focus on understanding customers, and more specifically, customer retention.

This is, in theory, no easy feat.

But if there's one thing we need to do to maintain and improve retention rates as the economic sharks circle, it's understanding what's driving customer retention and customer churn and what keeps your most loyal customers with you.

Because if you can understand this, you'll be able to present experiences that delight customers to such a degree that your brand is the last one to be crossed off the list of cutbacks.

But to achieve this, you need to understand what your customers want from your brand, your product, your operations, and of course, your overall customer experience. To gain this level of understanding, you need to unify every customer interaction with your brand, find a way to analyse it at scale and ensure we get the accurate intelligence you need to improve your CX.

This might sound like a huge undertaking. But focusing on retention is actually pretty simple when you have the right technology and approach.



HOW TO DELIVER THE RETENTION-DRIVING EXPERIENCES YOUR CUSTOMERS ACTUALLY WANT

When money is tight and price competition heats up as brands compete to win new customers, delivering exceptional customer experiences is not a nice to have; it's essential for retaining the customers you already have.

To deliver exceptional customer experiences, you need to actively listen, understand, and act on what customers tell you in their feedback – across all channels, and throughout your entire customer journey.

Because customers today want to feel that their feedback is heard and acted upon. They want support experiences and conversations that meet and exceed their expectations.

Customers also expect that you place no hurdles or obstructions in their way when buying, subscribing or returning/cancelling products. Your entire end-to-end customer journey has to be seamless and consistent.

So how do we go about achieving this? And how can we uncover what's driving retention in the first place? It all starts with unifying and analysing your customer feedback data.

As Zendesk Customer Experience Trends Report taught us,



say they make purchase decisions based on the quality of your CX alone

zendesk

HOW TO SET YOUR TEAMS UP WITH THE TOOLS THEY NEED TO SUCCEED



Even the most advanced customer experience teams need the right tools to succeed. And though having the right team is undoubtedly essential, unless they have the tools to discover what customers need and want, there's only so much they can do.

To find this out, we have to find a technology that can unify the millions of customer data points and analyse them at scale to provide intelligence that our teams can then act on.

There's a good reason why we need technology to unify customer feedback.

Most companies today have tech stacks that are out of control. Millions of customer data are siloed within technologies that not everyone can see, never mind act on. This means that teams within organisations only partially understand what customers want (and what's ultimately driving retention).

It's time for everyone to see their customer reality.

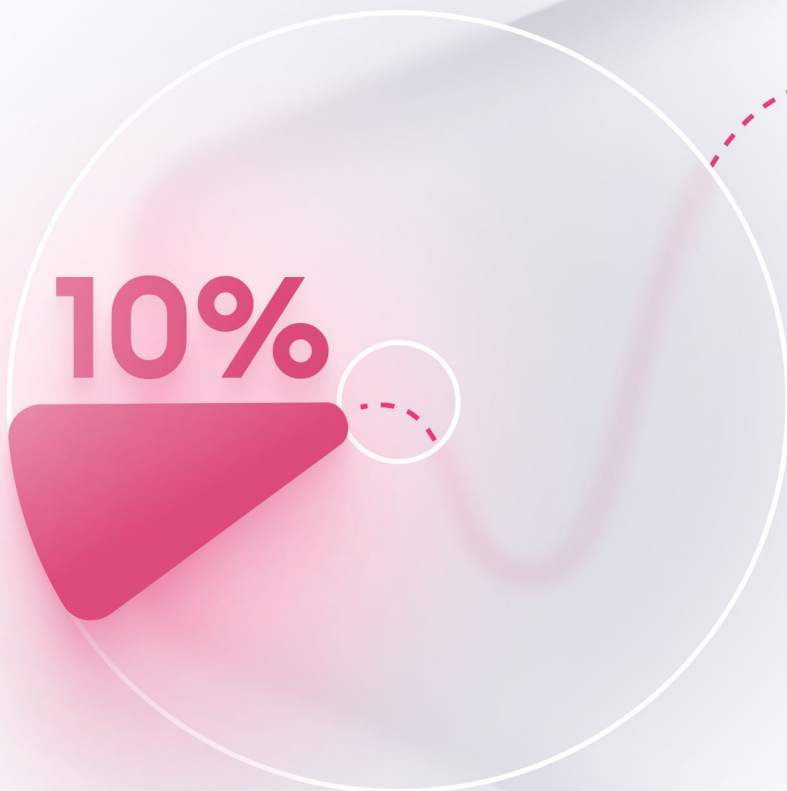
Because, long-term, product teams can't engineer and improve their products if they don't fully understand what customers think about their releases. And in the short term, they can focus on areas leading to lost customers today – such as identifying and removing critical friction points which consistently lead to abandoned carts.

Logistics teams also can't make the right decisions on delivery carriers if they don't understand which companies provide customers with the best (and worst) service.

Customer support teams will never escape eternal reactivity unless they can see which issues are consistent across hundreds of customers. And in the short term, understand which of these are contributing right now to customer churn.

And, perhaps most importantly, customer experience teams will neither have a unified, birds-eye view of their brand's customer experience nor know what they need to do right now to positively impact customer churn and retention.

Sadly, very few customer experience teams have this unified view of customers. But given the critical importance of customer understanding and its impact on customer retention, it's time for organisations to try a new approach. That has to start with Unified Customer Intelligence.



“Only 10% of CX professionals say they have a unified view of their customers”

Survey at the International Customer Experience Management Summit

MEET UNIFIED CUSTOMER INTELLIGENCE

Chattermill's Unified Customer Intelligence platform unifies and analyses your feedback, support, and conversation data to give you the actionable intelligence you need to deliver retention-driving customer experiences.

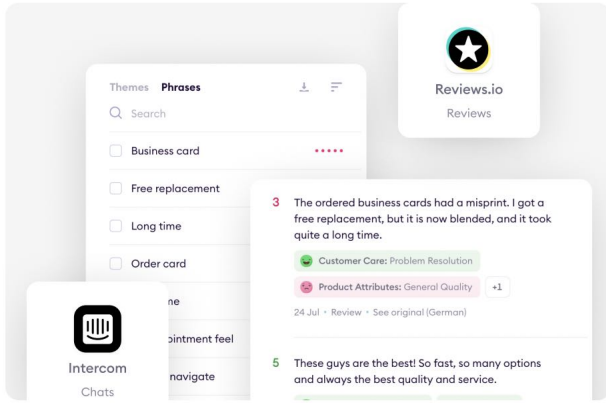
The new evolution of CX technology arms businesses with the intelligence

they need to finally find out what customers want.

Consequently, you can then meet their ever-changing, ever-increasing needs. Now, you can set yourself apart from your competitors, increase customer retention, and as a result, grow your revenue – all by actively listening to your customers.



Here's How It Works:

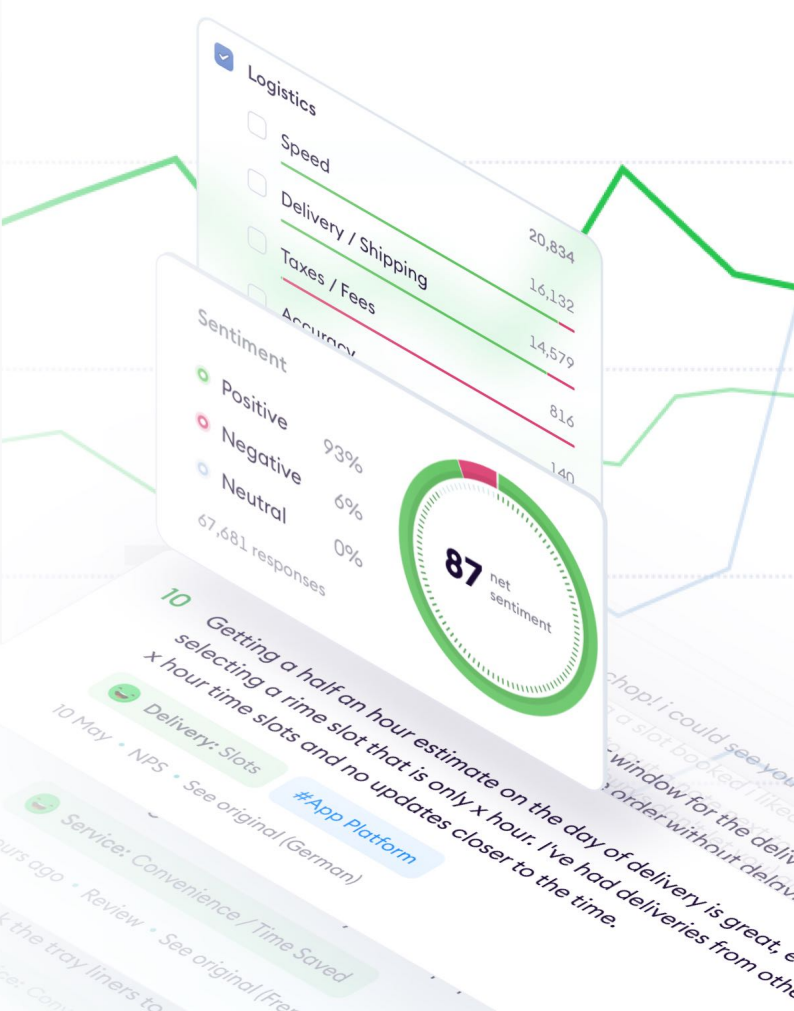


Unify Your Customer Data

Chattermill unifies all of your customer data across feedback, conversations, and customer support, across all departments to give you a single source of customer truth.

Get Actionable Intelligence

Chattermill analyses all your unified customer data at scale using deep learning AI to provide you with actionable, unbiased intelligence based on the sentiment behind your customers' feedback.



Transform Your Customer Experience

With Unified Customer Intelligence, you can discover where and how you need to improve your product, operations, and customer support to deliver better, more customer-centric experiences.

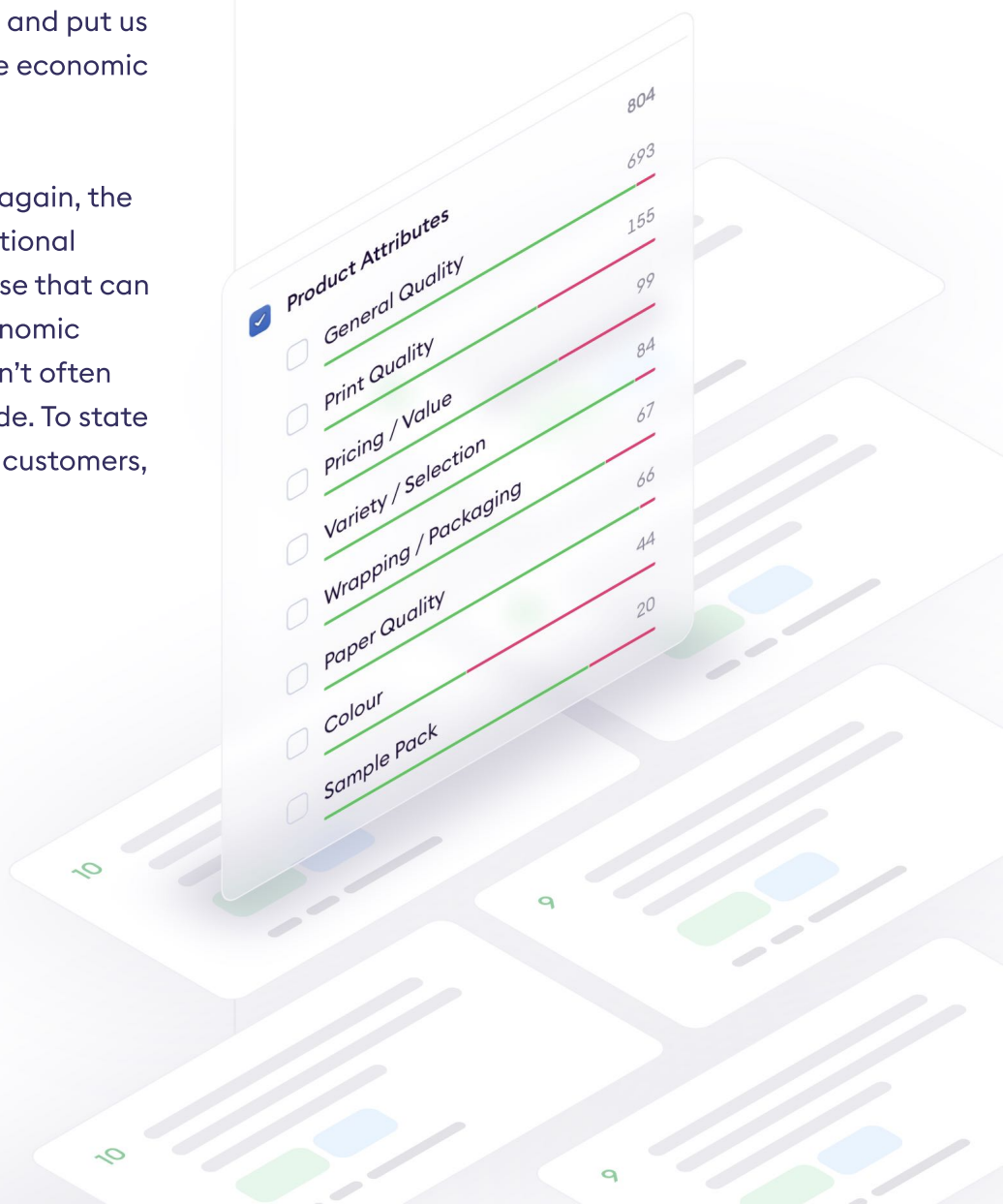
CONCLUSION: SEE THE COST OF LIVING CRISIS AS A CX OPPORTUNITY

The cost of living crisis will be complex for us all, whichever way we look at it. But from a CX perspective, it opens up opportunities for us to refocus our businesses around what matters: our customers.

This greater focus will help us get through the coming recession and put us in a stronger position once the economic tides have rolled out.

As has been proven time and again, the companies that deliver exceptional customer experiences are those that can survive even the bleakest economic conditions. And those that can't often dramatically fall by the wayside. To state the obvious: if you don't have customers, you don't have a business.

But to deliver these exceptional customer experiences and navigate customer retention during the cost of living crisis, we first need to understand what customers want and prioritise every part of our businesses around those expectations. And that all starts with you.

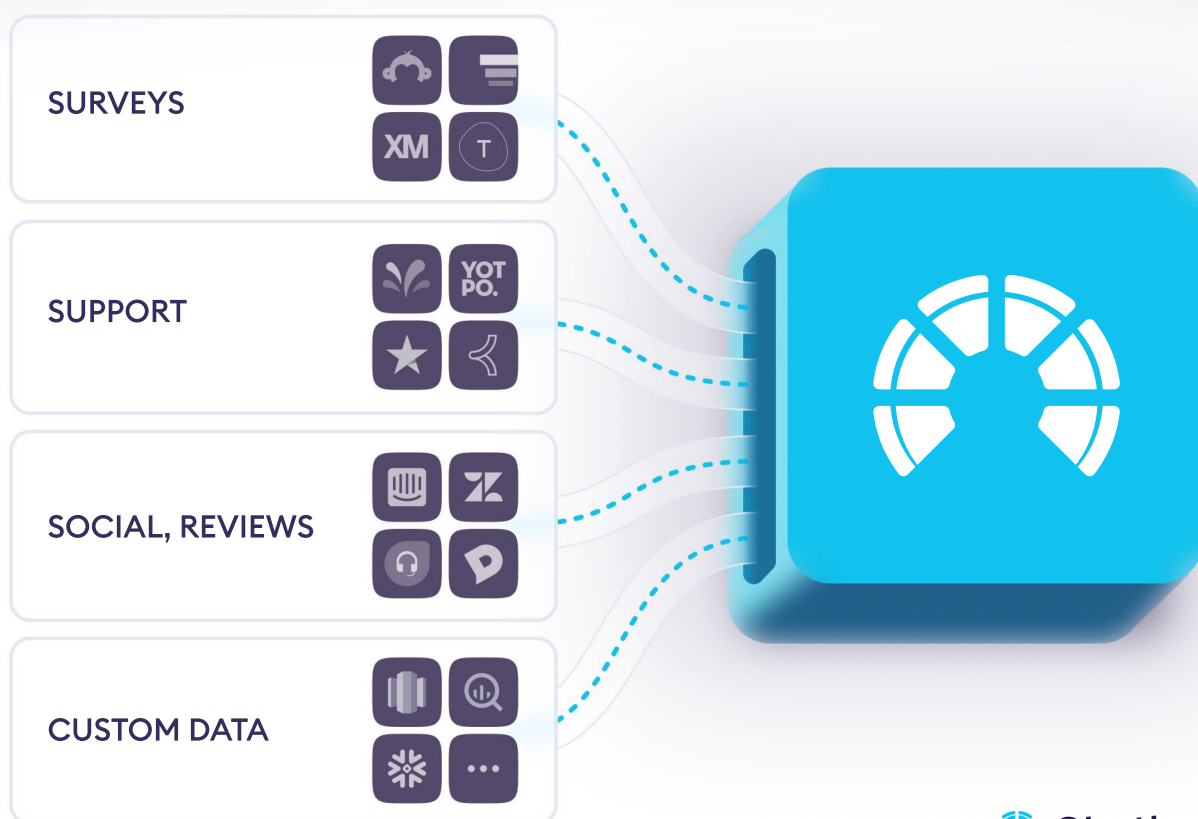


As discussed in the introduction, customers have less money in their pockets and are less loyal than ever. To retain them, you need to understand what drives customers away from your business and what keeps your most loyal customers returning for more.

This must start with unifying and analysing your customer feedback data across the entire customer journey. Customer support tickets, chatbot conversations, public feedback, and app store reviews are all goldmines of customer intelligence if you have the right technology.

Once we understand the meaning and sentiment behind what customers tell us, we can improve our products, our operations and logistics, customer support and experience, and even our marketing to keep customers loyal to your brand. It's essential.

So, to finish. Whether you're a high-street fashion retailer, an online marketplace, or a fintech company struggling to retain customers amid fierce economic conditions, now is the time to focus on your customers above all else.



SEIZE THE OPPORTUNITY NOW BEFORE IT'S TOO LATE

Learn more about Chattermill – the Unified Customer Intelligence platform that unifies and analyses your feedback, support, and conversation data to give you the actionable intelligence you need to deliver retention-driving customer experiences.

Ready to Get Started?

[Book a demo](#)

Number of responses
Number of responses, Last 3 months

27,585

-3.45% vs previous 3 months

Net promoter score by source
Net promoter score, 24 Apr - 08 May

● Online Surveys ● Email Campaigns

