

Understanding the Customer Lifecycle: A 5-Step Process

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Understanding the customer lifecycle may sound like esoteric theory better suited for an MBA thesis than small-business strategy, but the concepts it includes are key to bringing in more revenue at lower costs. And that means more profits. Like all lifecycles, it consists of a series of steps. People can—and have—written hundreds of books about the details of each step, but understanding how all the steps add up to the full lifecycle of a given client helps put the entire process in perspective.

5 Steps to Understanding the Customer Lifecycle

Step 1: Reach This is the part where you make contact with the customer. It's the ad you put on the bus stop bench, the ad in a magazine, the social coupon delivered in the mail or the good word someone hears from a friend. Metrics are key at this stage, letting you analyze which marketing efforts are giving you the best reach for your dollar.



Step 2: Acquisition Acquisition comes after you've got that potential customer's attention; it's the first contact with a new customer. This is where your frontline service employees, phone representatives and salespeople earn their pay. Depending on the nature of your business, this might happen via email, in person on the phone or solely through a Web page. *Danger Zone:* Abandonment can happen at this point of the process when you aren't

interesting or useful enough to hold a potential client's attention. It's critical that the first contact contains enough *value* for that person to want to continue the conversation.

Step 3: Conversion Conversion is another way of saying "sales." It's where you turn an interested person into an actual customer. The best advice for this step is to *sell the relationship, not your product*. Make the customer feel welcome, included and important, and the purchase will take care of itself. *Danger Zone:* Attrition is when a sale vanishes. Sometimes it's your team's fault—an "unforced error" that alienates the buyer. Other times, it's completely out of your control. In either case, treating each lost sale as a learning experience reduces your chances of attrition with the next customer.

Step 4: Retention You've made the sale. That's great, but selling more to a client already at this stage is 1/6th as expensive as starting over at the reach stage. This means up-selling or cross-selling, but also doing everything you can to maintain a *relationship* with a customer. You can do this by making contact from time to time, in value-rich ways that makes sure the customer will think of you every time he or she needs your product or service. *Danger Zone:* Churn is the loss of an existing customer. Beware of becoming a "churn and burn" company that only looks for that first sale and moves on to the next like corporate pick-up artists. The customer isn't always right—but she's always, always *the customer*.

Step 5: Loyalty This is the desired end result of every customer lifecycle, the equivalent of enjoying an early retirement at the end of a successful career. At this stage, the client has become a friend, a loyal ambassador who calls you by your first name and recommends your shop to everybody who will listen. Not every customer will reach this stage, but you should acquire a few more with every product cycle. If not, look back at the earlier steps to see where you're failing in the process. Better understanding the customer lifecycle, from making contact to making the sale and retaining dedicated loyal customers who keep coming back for more, is the key for continued success. *Understanding the customer lifecycle can be a tough concept to explain to your staff. How do you convey this idea to them?*

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