

Customer Fallout – How Do You Handle Churn?



Addressing customer churn

I've thought about this many times even on things not web hosting industry related. Other than poor customer service or repeated outages, I think high customer churn results from continuing to charge long term clients higher prices than you're offering to new prospects.

When I see commercials run on TV offering services with lower prices than what I'm paying, my first impulse is to get the deal they're getting, and more than once, I've heard from my vendors that those are just promotional prices and existing customers don't qualify.



Long term clients are invaluable

How do you handle long time clients?

Plus, even if you don't advertise, and let's say, your client has been with you for years, and your competition is offering better pricing for the same service, some clients will just opt to move on without complaining.

The current host thinks their clients are happy until they get that, 'I want to terminate my service' notice. Is this complacency on the part of the host, or is that just the nature of a competitive marketplace? I think it's a bit of both. Hosts can hardly afford customer churn in today's marketplace.



Statistical analysis is strategic

Lifetime asset strategies

Of course, moving on is a fact of life, cross industry. Most companies run statistical analysis on how long to expect clients to remain on board, and that helps them plan out growth strategies.

I do see reviews on web hosting forums where clients will stay with a provider for years on end, but more often than not, businesses migrate to other service providers for a myriad of reasons, not only related to price.



Times change

Client's needs and requirements never remain static

The first thing you need to realize as a service provider is that your client's needs and requirements don't always remain static. In today's world of technological advances, dynamic is the word of the day.

The services they first purchased may have met their hosting requirements at the time, but they either outgrew those, need to scale back because of budget cuts or any of a number of other reasons.



The right way versus the wrong way

What did you do wrong?

This doesn't mean that you've done anything wrong. You just haven't done everything right, meaning you didn't maintain

new clients, but that's rare. What you'll typically find is that once you're locked into specific plans and pricing, that'll never change, even if you're with the same company for years on end.

On the flip side, as a company, you can't afford to lose money on clients, unless there is perceived value in promotional loss leaders. Companies need to look at lifetime asset valuations. How long do they normally retain existing clientele?



WordPress themes and plugins need to be updated when patches are released

WordPress brings with it some issues

Another issue that leads to customer churn in the hosting industry is the popularity of WordPress. Why? An alarming number of WordPress websites are not kept up-to-date, meaning their themes and plugins are not regularly updated. This leads to security loop holes and compromised sites.

Quite often, the hosting provider is consequently blamed for not locking down their servers securely. In reality, no matter how securely a server is locked down, if you're running old

unpatched software content management systems on your websites, you open yourself to malware attacks, and migrating to another hosting provider won't help. The vulnerabilities in your site will migrate with you.



Should you reduce pricing

Should you reduce pricing across-the-board?

Will lowering pricing keep churn under check? Not normally. Why? Pricing needs to be at levels that produces enough revenue to provide comprehensive levels of support, and still turn a profit. Clients that leave based on price alone are quite often the same ones that return when their new provider falls flat responding to and resolving support tickets.

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