Customer Relationships and Channels

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Two adjacent blocks of the business-model-canvas[1]: how you reach customers, and what relationship you build once you have.

Get, keep, grow

The relationship lifecycle has three phases, and a **viral loop** running back from *grow* to *get* when customers bring in other customers. Effort and cost rise across the three.

```
Get  →  Keep  →  Grow

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     viral loop
```

Foundations for relationships

Five questions to answer before designing any of it:

1. Who are our customers?
2. What is their motivation for using our product? What matters to them?
3. Where do they get their information about products?
4. What (or who) influences them?
5. How do they buy things?

[1] courses/comp1100/business-model-canvas.pdf

Get

For a web or mobile product, *get* decomposes into a funnel:

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Awareness → Interest → Activation
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And the funnel has brutal arithmetic. The seminar's worked example:

> 50,000 clicks at 10c per click → **10% interest** → **2% activation**

50,000 clicks costs $5,000 and yields 5,000 interested people and 100 activations — $50 per activated customer. Running the numbers early is what stops a channel strategy that can never pay for itself.

Paid vs earned demand creation

Paid	Earned
Public relations agency	Peer-reviewed publications
Trade shows	Conference appearances
Email campaigns	Blogs, guest articles
Social media campaigns	Awards

Keep

Ways to keep the customers you already have:

- Loyalty programs
- Product updates that keep their interest and continue adding value
- Contests and events to keep engagement
- Horizontal and vertical offerings
- Customer engagement and satisfaction programs — blogs, community support, email
- Social media

Why keeping beats getting: churn

The seminar answers "why focus on keeping existing customers instead of gaining new ones that bring new income?" with arithmetic:

Monthly churn	Remaining after 3 years	Average customer duration
1%	$(1-0.01)^{36} = 69.8\%$	$1/0.01 = 100$ months
5%	$(1-0.05)^{36} = 16.6\%$	$1/0.05 = 20$ months
10%	$(1-0.10)^{36} = 3.14\%$	$1/0.10 = 10$ months

The gap between 1% and 10% monthly churn is the difference between keeping 70% of your customers after three years and keeping 3%. A small recurring leak dominates almost any acquisition effort — which is why *keep* is usually the cheapest growth lever available.

Grow

Three moves:

- **Up-sell** — a bigger version of what they already buy
- **Cross-sell** — something adjacent
- **Referrals** — the customer brings the next customer, closing the viral loop

Product-channel fit

Channels are not neutral: a product has to fit the channel that reaches its segment, the same way it has to fit the market. A product whose customers are reached only through a channel you can't afford, or can't operate, has a channel problem rather than a product problem.

See value-proposition-canvas[2] for building the customer profile these decisions rest on.

[2] courses/comp1100/value-proposition-canvas.pdf