

How to improve customer retention



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Successful small businesses don't just attract customers. They cultivate "regulars." These are the people who keep showing up to your website or store. Regulars often make frequent purchases and are open to advice and offers for higher-ticket items. Most importantly, they're proof that you've learned how to improve customer retention.

The more you get to know your regulars, the better you're able to anticipate what they want and need. It becomes a virtuous circle whereby ongoing efforts to keep their business boost their loyalty even further.

If you don't work to retain customers, they'll spend their money elsewhere, and it can be challenging to replace them. Customer retention strategies for small businesses can take many forms. Here are five building blocks to create an environment that turns more first-time buyers into regulars:

1. Identify the retention risk areas

Customers rarely walk away without a good reason. Unmet expectations can quickly annoy or frustrate them, and as more business shifts to digital channels, it's especially important to watch for warning signs. Some of the most common include:

- **Repeat business drops:** If you're seeing sales decline with regular customers, try to determine if they aren't feeling supported following their purchase. Monitor your customer service wait times. For example, when businesses leave customers on hold for too long, those customers may give up and take their business elsewhere.
- **Bad reviews:** Customers can easily share their poor experience on social media, dedicated review sites and other public channels. When you see negative sentiment on the rise, look carefully at how well you're currently handling service and support. Customers not only expect their problems to be solved, but they also expect businesses to get it right the first time.
- **A surge in complaints:** Pay attention to feedback from frontline staff as well as comments online about the way your business operates. Charging for product returns, for instance, can be unpopular with customers, and you may want to consider modifying your policy.

Paying close attention to retention risks from the outset can help you avoid losing revenue and damaging your reputation in the market.

2. Invite and analyze customer feedback

Strong customer relationships drive retention, and the best relationships come from listening closely. Create mechanisms where customers can flag any problems they encounter. You can keep it simple by setting up a dedicated e-mail address for feedback, monitoring brand mentions on social channels, or giving customers direct phone access to reach you.

Having channels to gather this feedback creates an opportunity to respond with apologies, remedial actions and possibly operational changes to prevent similar complaints in the future.

Not everyone will share feedback immediately following a bad experience, so make sure you invite them to offer their opinions and assessments on an ongoing basis, too. Conduct a regular survey to assess the quality of the experience you're delivering, with a mix of multiple-choice questions and open-ended fields where customers can recommend improvements.

As you learn more about your customers' preferred communication channels, expand feedback mechanisms. They should be able to provide their reactions and requests through text messages, messaging apps and beyond.

3. Develop a loyalty program

Customers appreciate rewards for their business, which makes loyalty programs a powerful tool to boost retention. Loyalty programs have become a staple of countless successful brands in part because they allow customers to earn perks and discounts in addition to getting the products and services they want.

Consider creating a loyalty program that allows customers to earn points on every purchase, redeemable for free merchandise or other benefits. Make your loyalty program even more compelling by providing members with early access to new products, invitations to VIP events and experiences, or free shipping.

Loyalty programs are also a good example of how to improve customer retention because they allow small businesses to collect valuable data. When customers enroll in a program, they may provide their contact details, birthdays and preferences about their favorite hobbies and activities. You can use all of these to personalize customer engagement and give them reasons to return.

4. Use automation to enhance service and offer self-service

Offering fast and truly helpful service can be challenging to scale as a small business grows. It's important to try to maintain a consistently high level of quality at all times. Existing customers may not tolerate businesses that take their loyalty for granted.

Adding more headcount can be a costly way to address this challenge, but advancements in technology are offering a more compelling alternative. You can set up a chatbot on your website to welcome visitors and answer common questions, for example. This could complement FAQ sections on your website or mobile app that help customers tackle challenges on their own.

Look for any tools and platforms that can reduce customer effort to research, purchase or get support. Do the same internally to make yourself and your team more productive and efficient. Being able to communicate quickly and serve customers wherever you are is a great starting point. A [mobile-first cloud-based phone service](#), for instance, avoids having to keep customers waiting until you're back at the office and eases the process of routing issues to the right person.

The 2025 Verizon Business State of Small Business survey indicated customer retention is driving considerable investment in technology. In fact, [48% of small businesses](#) said they were adding or updating their tech stack to better connect with existing customers.¹

5. Measure the impact of customer retention strategies

Retention is equally vital in consumer businesses, especially in highly competitive sectors like travel, hospitality and retail. Make sure you understand your current retention rate. You can calculate your retention rate by taking the total number of customers you have at the end of a given period (like a calendar year or month), subtracting the number of new customers you gained, and then dividing by the number of customers you had at the start of the period. Multiply the result by 100 to get a percentage. Expressed as a formula, it looks like this:

$$((\text{Total customers at end of year} - \text{New customers}) / \text{customers at beginning of year}) \times 100.$$

Also, look at metrics that contribute to our retention rate, such as the volume of repeat purchases and the number of customers who "churn" or leave during a given period. Some businesses factor in purchase frequency, product return rates, and the expected lifetime value of a customer (LTV).

Few small businesses start with expertise in improving customer retention. It's a skill you need to continually develop, experimenting with tactics and tools that make your regulars glad they chose you in the first place.

The author of this content is a paid contributor for Verizon.