**Cost of customer acquisition vs customer retention**

**What is the cost of acquiring a new customer compared to the cost of keeping an existing customer?**

There is no definitive answer to this question, but most sources say the answer is that it costs between 4 and 10 times more to acquire a new customer than it does to keep an existing one. Some sources say cost of acquiring a new customer is over 30 times that of keeping an existing one. A key element in the cost is probably the industry or market sector your customers are in.

The sources below list various figures for the cost of retaining a customer vs acquiring a new customer. The ‘cost’ in the sources listed here ranges from 3 to 30 times.

“It is generally recognised that acquiring new customers costs between 4-to-6 times more.”

*This article includes a lifetime value calculation formula.*

“It’s often cheaper to market to existing customers as it can cost between 5 and 8 times more to attract a new customer than it does to keep an existing one.”

“65% of a company’s business comes from existing customers, and it costs five times as much to attract a new customer than to keep an existing one satisfied.”

Source quoted as Gartner.

“We know that it costs more to acquire a new customer (roughly seven times) than it does to sell to an existing customer, so it makes sense to spend much more of your marketing effort with people who know you rather than with absolute strangers.”

“It’s generally accepted that it costs three times more to find a new customer than it does to sell to an existing customer.”

“Conventional business wisdom contends that it costs 10 times as much to obtain a new customer as it does to retain an existing customer.”

*Pricing for Profitability: Activity-Based Pricing for Competitive Advantage*

By John L. Daly (2002), p85. Published by John Wiley and Sons. ISBN 0471221597

“The commonly quoted ‘average’ being “it costs 7 times more to sell to a new customer than to an existing customer.”

“Attracting a new customer can cost as much as 15 times more than retaining an existing customer.”

*Winning New Business in Construction*

By Terry Gillen (2005), p89.

Published by Gower Publishing Ltd. ISBN 0566086158

“Statistically speaking, the cost of acquiring a new customer costs five to ten times more than retaining an existing one. Not only that, but repeat customers spend, on average, 67% more.”

This document is guidance only and should not be used as a substitute for specific legal advice.
“The lifetime value of a customer includes everything they will ever buy from you today, tomorrow, and in the years ahead—and the cost of acquiring a new customer is estimated to be 20 times greater than keeping an existing customer happy.”

“Research shows that it can cost up to 30 times as much to get a new customer as it does to keep an existing one. It pays to stay very close to your customers, so you know their exact needs, today and tomorrow. Your aim is to be irreplaceable as their supplier.”
Mike Johnston
The Chartered Institute of Marketing

“Acquiring a customer costs 5 to 10 times more than retaining one (eMarketer, 2002)
A 5 percent increase in retention yields profit increases of 25% to 95% (Bain and Company, 1990)
20% of your customers bring you 80% of your revenue (the old 80/20 rule which still holds)”

“Most businesses put all their marketing effort into getting new customers yet it costs between seven and twenty times more to sell to a new customer than it does to sell to an existing customer.”

All internet sources were accessed March 2010.

For further information please go to www.cim.co.uk/resources or contact:
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