LEITHEN LANE

Fix the Leak

A No-Jargon Guide to Customer Retention for Ecommerce Founders

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Part One

Why retention beats acquisition

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Chapter 1

The number most businesses don't know

Customer lifetime value, and why it changes everything

Ask most small business owners how much a customer is worth to them and you'll get one of two answers. Either a blank look, or a number that represents a single transaction.

That's the problem.

A customer isn't worth what they spend today. They're worth everything they might spend across every transaction, for as long as they stay. That number, customer lifetime value or LTV, is the single most important figure in your business. And the vast majority of business owners have never calculated it.

This isn't a criticism. Most people running small businesses are too busy running small businesses to sit down and do the maths. But not knowing your LTV means you're making decisions in the dark. You don't know how much you can afford to spend to win a new customer. You don't know which customers are genuinely valuable and which ones cost more to serve than they generate. And you almost certainly don't know what you're losing every time someone buys once and disappears.

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Let me give you a simple example.

Imagine you run a coffee subscription. Your average customer spends

£25 per month. They stay subscribed for an average of eight months before cancelling. That means your average LTV is £200.

Now imagine your average customer stays for twelve months instead of eight. Same monthly spend. Same product. Same price. But your LTV just jumped from £200 to £300, a 50 percent increase, without acquiring a single new customer.

That's not a marketing win. That's not a social media campaign. That's just keeping people longer. And it compounds.

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The reason LTV matters so much is that it changes what you can afford to do.

If a customer is worth £200 to you over their lifetime, and it costs you £40 to acquire them through advertising, your margins are fine. You're paying 20 percent of their value to bring them in the door.

But if your retention is poor and your real average LTV is actually closer to £60, because most people buy once and don't come back, then that £40 acquisition cost is crippling. You're spending two thirds of what a customer will ever give you just to find them.

This is why businesses that seem busy often aren't profitable. They're acquiring constantly because they're losing constantly. The treadmill keeps moving, the revenue looks okay on the surface, and nobody looks too closely at the hole in the bottom of the bucket.

We'll come back to that bucket in the next chapter. For now, let's focus on what LTV actually tells you, and how to work out yours.

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The basic calculation is straightforward.

Average order value, multiplied by purchase frequency, multiplied by how long a customer stays. That's it. If your customers spend £50 per order, buy three times a year, and stay for two years on average, your LTV is £300.

Most businesses know their average order value. Fewer track purchase frequency with any rigour. And almost none have a clear picture of how long their customers actually stay.

That last number is the one worth obsessing over.

Because average order value has a ceiling. There's only so much you can charge, only so many products you can bundle, only so many upsells the customer will tolerate. But duration, how long someone stays in your world, is theoretically unlimited. A customer who buys from you for ten years is worth ten times more than one who stays for one. And getting them to stay longer doesn't require a bigger product, a flashier website, or a bigger ad budget.

It requires consistent pressure.

Duration is theoretically unlimited. Getting customers to stay longer doesn't require a bigger product or a bigger ad budget. It requires consistent pressure.

Here's something worth sitting with.

If you could improve the average duration of your customer relationships by just 20 percent, what would that do to your revenue?

Not double it. Not some dramatic transformation. Just 20 percent. One extra month on a six-month average. Two extra months on a ten-month average.

For most businesses, the answer is a meaningful jump in revenue, achieved without spending a penny more on advertising.

This is the core argument of this book. Not that acquisition doesn't matter. It does. New customers are the lifeblood of a growing business, and at some point you have to find new people. But if your retention is leaking, if customers are leaving faster than you realise, for reasons you haven't examined, then every pound you spend on acquisition is working harder than it needs to,

Fix the leak first. Then scale.

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Before we go further, I want to introduce the concept that gives this book its title.

Consistent pressure isn't a single tactic. It isn't a loyalty programme or a win-back email or a discount. It's a system, a set of regular, deliberate touchpoints that keep you present in your customer's world over time.

Not intrusive. Not relentless. Just steady.

Think about the businesses you keep coming back to. Chances are, they're not the ones who shouted loudest or offered the biggest introductory discount. They're the ones who were simply there, reliably, at the right moments. An email that arrived when you'd half-forgotten about them. A small gesture that made you feel like someone had noticed you were a real person, not just an order number.

That's consistent pressure. It's not expensive to apply. It doesn't require a marketing team or a sophisticated CRM or a course in behavioural psychology. It requires intention, and a system for following through.

The rest of this book is that system.

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One last thing before the end of this chapter.

I've worked with enough business owners to know what happens when you first start thinking about LTV. There's a phase where the numbers feel abstract, academic even. It's easy to nod along and then carry on as before, because the day-to-day is loud and the strategic is quiet.

So here's a practical nudge.

Before you read the next chapter, spend fifteen minutes on this. Dig out your transaction data, even roughly, and answer three questions. What does your average customer spend per order? How many times do they buy in a year? And how many of last year's customers have already bought again this year?

You don't need a spreadsheet model. You need a rough picture. Because once you see it, really see it, the rest of this book will land differently.

You'll stop seeing retention as a nice-to-have. You'll start seeing it as the point.

Chapter 2

Acquisition is a tax on a broken business

What it costs to replace a customer you didn't keep

There is a number that most businesses treat as a cost of doing business. It sits in the marketing budget, gets reviewed occasionally, and is accepted as the price of growth.

That number is the cost of acquiring a new customer.

For some businesses, it is £10. For others it is £100. For businesses in competitive markets running paid advertising, it can be significantly more. And in most cases, the people running those businesses have made peace with it. This is what it costs to find a customer. So be it.

But there is a question worth asking before you make that peace. How many of the customers you acquired last year have already left?

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Here is a thought experiment. Imagine two businesses selling the same product at the same price.

Business A spends £5,000 per month on advertising and acquires 100 new customers. Its average customer stays for four months before cancelling or going silent. So at any given time, Business A is running on a base of roughly

400 active customers. To maintain that base, it has to keep spending.

Business B spends the same £5,000 per month and acquires the same 100 new customers. But its average customer stays for eight months. At any given time, Business B has around 800 active customers from the same monthly spend.

Same product. Same price. Same acquisition cost. Twice the active customer base. The only difference is how long people stay.

Business A isn't growing. It is running to stand still. Every month, it spends £5,000 to replace the customers it lost the previous month. The acquisition budget isn't funding growth. It is funding a leak.

Every month, Business A spends £5,000 to replace the customers it lost the previous month. The acquisition budget isn't funding growth. It is funding a leak.

This is what I mean when I say acquisition is a tax on a broken business.

That isn't a comment on advertising or marketing. Both have their place. At some point, every business needs to find new customers, and paid channels are often the most efficient way to do it. The problem isn't the spending. The problem is spending on acquisition before fixing the thing that is causing customers to leave.

If your retention is poor, you will always need more acquisition spend than a competitor with strong retention. You are paying a premium, every single month, for a problem that lives elsewhere in the business. The advertising platform isn't the issue. The email campaign isn't the issue. The issue is whatever happens after someone buys.

Fix that first, and your acquisition spend starts working harder. Not because the ads got better, but because more of what the ads bring in actually stays.

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Let us put some numbers to this, because the maths is more striking than most people expect.

Say your average customer is worth £200 over their lifetime with you. Your acquisition cost is £40. That means for every customer you bring in, you net £160 over the relationship. Fine.

Now say your retention improves and your average LTV rises to £280. Your acquisition cost has not changed. But your net per customer has gone from £160 to £240. That is a 50 percent improvement in profitability, from the same ad spend, the same product, and the same price point.

Or look at it the other way. Say your retention gets worse and your LTV drops to £120. Now you are netting £80 per customer. Your acquisition cost has not changed, but your margins have been cut in half. You would need to either halve your acquisition cost or double your volume just to stay where you were.

Retention doesn't just affect revenue. It determines what your acquisition spend is actually worth.

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There is a version of this problem that is particularly hard to spot, because the business looks healthy from the outside.

Revenue is growing. New customers are coming in. The ads are working. Everything seems fine.

But underneath, the churn rate is high and climbing. The new customers coming in are masking the old customers leaving. The business is busy, but it isn't compounding. Every month starts from roughly the same base, because roughly the same number of people are leaving as arriving.

This is the leaky bucket problem. You pour water in at the top. It pours out through the holes at the bottom. The bucket never fills. You just keep pouring.

The instinct, when growth stalls, is to pour faster. More ads. More offers. More acquisition. But the bucket still has the same holes. You aren't solving the problem. You are spending more to disguise it.

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The good news is that the holes are fixable. And fixing them doesn't require a big budget or a complete overhaul of your business.

It requires understanding why customers leave.

In most businesses, customers leave for one of a small number of reasons. The product did not meet their expectations. The experience after purchase was underwhelming. They simply forgot about you, because nobody stayed in touch. Or something else in their life changed and you did not notice or respond.

Some of those reasons are outside your control. A customer who moves abroad, or whose circumstances change, is hard to keep regardless of what you do. But a customer who drifts away because nobody reached out, or who cancelled because a single bad experience went unaddressed, is a customer you could have kept.

That is the territory this book covers. Not the customers you cannot keep. The ones you are losing because you have not yet built the systems to hold them.

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Before we move on, a practical note.

If you don't currently know your churn rate, now is a good time to work it out. Take the number of customers who were active at the start of a recent month. Count how many of them were still active at the end of it. The percentage who left is your monthly churn.

For subscription businesses, this is relatively straightforward. For businesses without subscriptions, look at repeat purchase rate instead. Of the customers who bought from you in the last twelve months, what percentage had bought before?

You don't need precision here. You need a direction. Because once you know roughly how many customers you are losing, you can start to ask why. And once you know why, you can start to fix it.

That is the work. Not more ads. Not a bigger offer. Just a clearer picture of what is already happening, and the discipline to do something about it.

Chapter 3

The 5% rule

Small retention gains compound dramatically over time

There is a finding that has circulated in business literature for decades, and it is worth restating here because most people either have not heard it or have heard it and not fully absorbed it.

Increasing customer retention by just 5 percent can increase profits by anywhere from 25 to 95 percent.

Those numbers come from research by Frederick Reichheld at Bain and Company, and they have been replicated and validated across industries many times since. The range is wide because businesses vary enormously. But even at the lower end, a 5 percent improvement in retention producing a 25 percent improvement in profit is a striking ratio.

Five percent isn't a transformation. It isn't a reinvention of your business or a new product launch or a year-long marketing campaign. It is keeping one extra customer out of every twenty. And it produces, on average, a quarter more profit.

Why? Because of how compounding works.

Most people understand compounding in the context of money. Invest a sum, earn interest, reinvest the interest, earn more interest on a larger base. Over time, the growth accelerates because each period builds on the last.

Retention compounds in exactly the same way.

If you have 500 customers today and your monthly churn rate is 5 percent, you lose 25 customers this month. Next month, you lose 5 percent of 475. The month after, 5 percent of whatever remains. The base shrinks. The losses feel manageable in any single month, but over a year the cumulative effect is significant.

Now flip it. Drop your churn rate from 5 percent to 4 percent. You lose 20 customers instead of 25 this month. A difference of five people. Barely noticeable.

But carry that forward twelve months. The business with 5 percent monthly churn ends the year with around 270 of its original 500 customers. The business with 4 percent churn ends the year with around 310. That is 40 extra customers, still active, still buying, still generating revenue, from a single percentage point of improvement.

And those 40 customers aren't just bodies. They are relationships, repeat purchases, potential referrals, and the foundation of next year's compounding.

Forty extra customers, still active and still buying, from a single percentage point of improvement. That is what compounding looks like in retention.

Here is where it gets more interesting.

The businesses that compound retention well don't usually do it through a single dramatic intervention. They do it through a collection of small, consistent actions, none of which would move the needle on its own, but which together create a customer experience that is meaningfully better than the alternative.

A well-timed email. A support interaction that resolves quickly and warmly. A small gesture when someone reaches a milestone. A win-back message that arrives just before they were about to forget you existed.

Individually, each of these things might retain one extra customer a month. Together, they retain ten. And ten extra customers a month, compounded over a year, is a materially different business.

This is the system this book is about. Not any single tactic, but the combination of steady, deliberate touchpoints that add up to something customers feel without being able to articulate. They just keep buying. They aren't sure why. It is just become a habit, and habits are hard to break.

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Let us look at what this means for profit, not just revenue.

Retained customers are more profitable than new ones for several reasons that stack on top of each other.

First, you have already paid to acquire them. A customer who bought from you three years ago has an acquisition cost that was absorbed long ago. Every purchase they make now is unencumbered by that cost.

Second, long-term customers tend to buy more over time. They become familiar with your range. They trust your product. They are less likely to comparison-shop and more likely to give you the benefit of the doubt on price. Their average order value tends to drift upward, not down.

Third, they cost less to serve. You know them. They know you. Fewer queries, fewer complaints, fewer returns. The operational overhead of a loyal customer is lower than that of a new one still finding their feet.

Fourth, they refer. Not always, and not reliably enough to build a strategy around, but long-term customers are significantly more likely to recommend you to someone they know. That referral costs you nothing and arrives pre-warmed.

Add those four effects together and the profit differential between a retained customer and a new one isn't marginal. It is substantial.

Every purchase a long-term customer makes is unencumbered by acquisition cost. And they buy more, cost less to serve, and refer more often.

There is a practical implication here that is worth naming directly.

If retained customers are more profitable, and small improvements in retention compound significantly over time, then the return on investment for retention activity is almost always higher than the return on equivalent acquisition spend.

A £500 per month investment in improving your onboarding, your email communications, and your customer support will, for most businesses, generate more long-term value than £500 per month of additional advertising.

That is a difficult thing to act on, because advertising is immediate and measurable. You spend £500, you see clicks, you see conversions, you see revenue. Retention is slower. The payoff is real but it arrives over months and years, not days.

This is the bias that keeps businesses stuck on the acquisition treadmill. The short-term signal from ads is clear. The long-term signal from retention is quieter, and easier to ignore.

But the businesses that learn to read the quieter signal, and invest accordingly, are the ones that compound. They grow more cheaply, more profitably, and more sustainably than the ones chasing the next customer while losing the last one

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A note on what 5 percent actually looks like in practice.

If you have 200 customers, a 5 percent improvement in retention means keeping ten extra people. Ten. That isn't an abstract statistical target. It is ten real customers whose names are in your database right now, who are somewhere on the journey from loyal to lapsed.

Some of them bought from you recently and have not heard from you since. Some of them had a question that went unanswered. Some of them are on the edge of cancelling a subscription and have not yet made the decision. Some of them just need a reason to remember you exist.

The system in this book is designed to reach all of them. Not through a single big campaign, but through a steady series of touchpoints that make it slightly less likely, every month, that they drift away.

Five percent. One in twenty. It sounds modest. Over three years, it changes the shape of your business.

Chapter 4

What consistent pressure actually means

Not a campaign. Not a tactic. A system.

The phrase consistent pressure sounds, at first, like it might be about volume. Send more emails. Post more often. Follow up more aggressively. Turn up the dial until customers have no choice but to notice you.

That isn't what it means.

Consistent pressure isn't about frequency for its own sake. It isn't about being loud or persistent or relentless. It is about being present, reliably, at the moments that matter. It is the difference between a business that occasionally shouts and one that is simply always there, steady and familiar, when the customer is ready to engage.

The distinction matters because getting it wrong in one direction produces churn just as surely as getting it wrong in the other. A business that goes silent loses customers to forgetting. A business that bombards loses customers to irritation. The goal is neither. The goal is a rhythm that feels natural, that customers come to expect without noticing, and that quietly keeps the relationship alive

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Think about the businesses you have been loyal to over a long period of time.

Chances are, most of them did not win your loyalty through a single dramatic moment. There was no grand gesture, no life-changing offer, no campaign so compelling that you committed yourself on the spot. What they did, over and over, was show up in small ways that added up.

The newsletter that was genuinely useful once a month. The birthday discount that arrived without you having to ask. The follow-up message after a purchase, not asking for a review, just checking in. The reply to a complaint that came quickly and without defensiveness.

None of those things is a strategy on its own. Together, they form a pattern. And patterns build trust. Trust builds loyalty. Loyalty builds lifetime value.

That is what consistent pressure looks like from the outside. From the inside, it looks like a system.

Patterns build trust. Trust builds loyalty. Loyalty builds lifetime value. Consistent pressure is the engine that creates the pattern.

A system, in this context, means a set of actions that happen reliably without requiring a decision every time.

This is important. Most businesses do retention badly not because the people running them don't care, but because retention depends on remembering. You have to remember to follow up. You have to remember to check in on customers who have gone quiet. You have to remember to send the win-back email, to acknowledge the anniversary, to reach out before the subscription renews.

When retention depends on memory, it is inconsistent. Good weeks it happens. Busy weeks it doesn't. The customer experience becomes patchy, and patchy is almost as damaging as absent. Customers don't consciously notice the gaps, but they feel them.

A system removes the dependency on memory. The follow-up email goes out because it is scheduled, not because someone remembered to send it. The at-risk customer gets flagged because a process caught them, not because someone happened to glance at the right report. The win-back sequence triggers because a customer crossed a threshold, not because someone had time to check.

When retention is systematic, it is consistent. When it is consistent, it compounds.

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Let me describe what a basic pressure system looks like for a small business.

There are three layers.

The first layer is onboarding. Every new customer enters a short sequence of communications designed to set expectations, deliver value quickly, and begin the relationship on the right foot. This might be two or three emails over the first two weeks. The goal is simple: make the customer feel confident they made a good decision.

The second layer is ongoing engagement. Between purchases, you stay present. Not intrusively, but regularly. A useful piece of content. A timely reminder. A communication that acknowledges where they are in their relationship with you. This layer runs in the background, quietly, creating the pattern of presence that keeps you front of mind.

The third layer is intervention. You build triggers that catch customers before they leave. A customer who has not purchased in longer than their usual cycle gets a check-in. A customer who cancels a subscription gets a pause option before they go. A customer who contacts support with a complaint gets a follow-up a week later. These aren't desperate measures. They are calm, well-timed responses to signals the customer is already sending.

Three layers. All running simultaneously. None of them requiring daily decisions. That is a pressure system.

Three layers, all running simultaneously, none requiring daily decisions. Onboarding, ongoing engagement, and intervention. That is the structure.

A few things this isn't, because the misconceptions are common.

It isn't a loyalty programme. Loyalty programmes can play a role, and we will look at them properly in a later chapter. But a points scheme or a rewards card is a retention tactic, not a retention system. It addresses one slice of the customer relationship and leaves the rest untouched.

It isn't a newsletter. A newsletter is a single channel within the ongoing engagement layer. It might be a good one. But consistent pressure operates across multiple touchpoints, and reducing it to one channel limits its reach considerably.

It isn't customer service. Good customer service is essential, and we will cover why it is more powerful than most businesses realise. But responding well to problems is reactive. A pressure system is proactive.

It doesn't wait for something to go wrong. It works continuously to reduce the likelihood that something will.

And it isn't complicated. That is the thing worth emphasising before we go any further. The businesses that do retention best aren't the ones with the most sophisticated technology or the biggest teams. They are the ones that have identified the handful of touchpoints that matter most and made sure those touchpoints happen, reliably, every time.

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Part One of this book has made the case for why retention deserves to be your primary focus. The numbers support it. The compounding supports it. The cost of not doing it supports it.

From here, we move into the how.

Part Two is about diagnosing the problem. Before you can build the system, you need to understand where your customers are currently leaving and why. That starts with mapping the journey they actually take, not the one you think they take.

It is, in most businesses, a revealing exercise. And occasionally an uncomfortable one.

But you cannot fix what you cannot see. So that is where we start.

That was the argument.

Part One makes the case for why retention deserves to be the primary focus of a small business. The rest of the book is the system: mapping the real customer journey, fixing the first thirty days, catching customers before they drift, and running win-back, loyalty and discounting without eroding the margin you have worked to protect.

Every chapter ends with one thing to do on Monday morning. Twenty-two of them, each taking less than a day.

Work out your own number first

Chapter 1 suggests calculating what a customer is worth to you. There is a free calculator that does it in about thirty seconds, for both repeat purchase and subscription businesses.

leithenlane.com/tools/ltv-calculator