2220 Product The Bathtub Problem

Product Fieldbook · https://kb.jeffreysummers.com/docs/2220-product-the-bathtub-problem/

The Demand

Tomorrow, run the math on your own drain. Calculate what your current Guest attrition is actually costing you in a year, using Reichheld's numbers as your baseline: a 5% increase in retention can lift profits 25 to 95%, and a new Guest costs 5 to 25 times more to acquire than an existing one costs to keep. Decide whether your next marketing dollar goes to the faucet or the drain.

The Work

Your current repeat visit rate, as a stand-in for how open your drain is:

Your current marketing budget allocation — estimate the split between acquisition (faucet) and retention (seal):

Using the 5-to-25x acquisition cost multiple, what does one lost Guest actually cost you to replace:

What have you been spending on ads, promotions, and deals in the last quarter — the faucet spend:

What have you spent, in the same period, specifically on strengthening relationships with Guests already choosing you — the seal:

Faucet or drain — where does your next marketing dollar go, and why:

The one action you will take this week to start closing the drain before you turn up the faucet: