

SPECIAL ACTION REPORT



Strategies For Retaining And Nurturing Customers

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Some facts:

- Once acquired, a customer is your business's most valuable asset - an endless stream of dollars and dividends.
- The bottom line on increased customer retention is increased profits.
- Retention strategies are far less costly than conventional marketing, advertising, and direct field selling costs... and they produce a proportionately-higher return on investment.
- Improvements in customer retention rates mean substantial improvements in profitability each and every year.

Let's look at some interesting comparisons:

Let's hypothetically examine two companies that both sell goods that cost \$1,000 each.

Company A has a 60% retention rate and Company B has a 70% retention rate. (That is, each year 40% or 30% of the customers drop off).

Let's also presume that both companies acquired 100 new customers this year.

Now, let's see what happens to those 100 customers over a five-year period:

Year	Company A	Company A	Company B	Company B
	Customers	Revenue	Customers	Revenue
First Year	100	\$100,000	100	\$100,000
Second Year	60	\$60,000	70	\$70,000
Third Year	36	\$36,000	49	\$49,000
Fourth Year	22	\$22,000	34	\$34,000
Fifth Year	13	\$13,000	24	\$24,000
Total		\$231,000		\$277,000
Av \$ revenue derived by the original 100 customers over a 5-year period		\$2,310		\$2,770

Yes, customer retention pays ... big time.

Strategy 1: Customer Research

Naturally, customer service is central to a great customer retention program, so let's immediately dispel a basic mistake that just about every business makes...

Customer service isn't about delivering what we think they (the customers) want.

Customer service starts with finding out what customers really need and want, as distinguished from what *we think* they need and want. See the difference? And, customer research is where it all begins. But, be warned. To be successful, customer research must be objective, unbiased, and generally representative of your entire customer base.

Research will allow you to find out what customers want and need from you - and are getting or not getting, as the case may be. It should also find out how well your competitors are doing in this respect.

Key point: Train staff to ask questions, and never miss an opportunity to ask that most basic of questions:

"How are we doing?"

Strategy 2: Measuring Performance

Having researched customer needs and wants, and having designed a system to meet those needs and wants, it is essential that you constantly monitor your system for two reasons:

1. To insure that customers are getting the levels and quality of service they were promised.
2. To insure that everybody in your organisation is kept informed of the degree to which those goals are, or are not, being met.

You see, customer retention is a company-wide undertaking, not just the responsibility of those directly involved.

Strategy 3: Aligning Perceptions With Reality

There are two very important "*perceptions*" to cover here - the customers' and those of the business itself.

Sadly, customers are not always aware of the quality of service they are getting, and it's your job as manager, to make sure they are. As a matter of fact, this is a job for all staff!

You see, the market itself tends to cloud the issue. Just what is service? What does the customer expect? What level of service does the competition publicly state that they deliver? What level of service do they actually deliver?

The second "perception" which needs to be closely examined to ensure that it accords with reality is the perception which the business has about delivering quality service. From experience, the great majority of businesses seriously over estimate their ability in this regard. Performance which they rate as "good" or "excellent" may be perceived by customers as only "average".

You see, when it comes to customer service, *"perception is reality"*. Any mis-perceptions on the customer's part, whether self-generated or induced by the competition, should be quickly corrected by clearly stating and then demonstrating your actual performance.

Key point: Finding out what your customers think about your service, and then taking the appropriate steps to deliver on those expectations is essential if you want to retain your customer base.

Strategy 4: Honour your promises and then some

Today, customers expect a business to honour their promises. But simply meeting expectations doesn't win you many points; in fact, it will often go unnoticed altogether (unless you constantly remind the customer of your consistency).

Look to deliver on your promises and then some. Have your customers say *"Wow, I wasn't expecting that little extra - thank you"*.

Strategy 5: Customer involvement

As a customer retention strategy, customer involvement has two main facets.

1. *Economic*. The customer loves the sense of getting a "deal". They'll happily do some of the work in order to effect some form of savings. Examples: Pump your own petrol and save; what about retail self service; even banks are fostering involvement via automatic teller machines etc.
2. *Psychological*. Customers involvement usually results in customers thinking in terms of a "partnership". Just look at the psychological "pull" which loyalty cards and the like generate.

Strategy 6: Disaster recovery

As alluded to previously, good customer service often goes unnoticed by customers, and thus is not always a motivation for them to maintain the relationship. In fact, customers are more likely to be impressed by the way a vendor business recovers from a service failure altogether. One bright computer software supplier deliberately makes a mistake in the initial offer so that they can demonstrate their proven ability to rectify the matter ... it also gives their salespeople the opportunity to look for an "add on" sale!

Key point: Every business should re-visit its efforts at recovering from disastrous customer service situations. Are there set procedures to follow? Do the staff act swiftly and methodically when these disaster situations occur?

Strategy 7: Speedy, hassle free settlements of routine claims and complaints

Resolve complaints speedily and you'll win the admiration of your customers. Argue with them and you lose not only the customer but also other customers and prospective future customers who will listen to the tale of woe as spread by the complaining customer.

And think about the economics of arguing for a moment. For many businesses, it is usually more economical to automatically pay out where small amounts are involved rather than incur the administrative costs of investigation and review.

Always remember these ten famous words - *“what do I have to do to make you happy?”*

Key point: Very often, the issue is not whether the complaint is justified, but what's best for the business in terms of profits, account retention and future account growth.

Strategy 8: Promote your uniqueness

Call this, the “why should I buy from you and why should I continue to buy from you?” question. And most businesses haven't even considered the question, let alone the answer!

The clearer your customers can become to answering that question in their minds, the clearer they are to being long term repeat customers.

Strategy 9: Superior customer service personnel (and isn't this everyone?)

Consistent and continual training of all staff on aspects related to the importance of customers and how to keep them delighted, presents a major opportunity for significantly increasing customer retention and account growth. There are several advantages to this strategy.

1. Staff who are trained in capturing customer feedback can also identify customers who are dissatisfied or simply in need of more tender loving care. Better to fix the leak before it becomes a gush, as it were.
2. Training staff in basic customer retention techniques gives them the tools they need to keep customers, by successfully handling complaints, turning dissatisfied customers into satisfied, loyal ones, and educating customers of the value of your products/services.
3. Training staff in your policies and procedures and giving them in-depth product/service knowledge prepares them to handle customer calls professionally and proactively, in a way that ensures customer satisfaction.

Strategy 10: Automate the low end and personalise the high end

This is now entirely feasible with the technology that exists.

As a customer retention strategy, it simply means using automation and interactive systems for the routine, repetitive and low-dollar transactions in order to free up skilled personnel to deal with more important and complex problems requiring attention.

Voice activated answering systems are a classic example of this strategy. True, some customers may initially have to be sold on using these interactive systems - or given an incentive to do so - but, once familiarised they will appreciate the fact that they now don't have to wait nearly as long to get response and results at either level.

Strategy 11: Alternatives and substitutions

This strategy prevents or significantly reduces the chances of a "no-sale" by offering customers a comparable service or product for one they order, but is not available.

It may be the same product with a different brand name, or a difference in product features such as colour, capacity, etc. Or, it may be a difference in packaging - two 24s instead of one 48, or the large size instead of the economy size.

Besides saving sales, substitution programs also keep customers from seeking out the competition.

Strategy 12: Constant follow up on lost business and cancelled orders

It's important that monitoring and follow up procedures are in place to:

1. Track the revenue loss and report it immediately to the appropriate person who is responsible for investigation
2. Identify what steps need to be taken to recapture the account and/or future orders
3. Determine why the business was lost or the order cancelled and,
4. Make immediate attempts to reverse the cancellation by re-defining the terms of the sale (price, terms, delivery or other considerations).

On a regular basis, survey lost customers and those customers whose volume of business with you is declining, and ask them why. Besides giving you invaluable data, this follow-up can sometimes result in your recapturing the business.

Strategy 13: Offering customers incentives to continue doing business with you

Now, here's the rub: many businesses offer tangible incentives to acquire customers, but few offer comparable incentives to retain customers.

Key point: Let existing customers know they are actually more important than new customers because they have proven their value - just as your company has proven its value to them.

Strategy 14: Analysis of account profitability

The critical element of account retention strategy is knowing your most profitable customers or classes of customers and segmenting them accordingly.

The actual or potential profitability of an account is usually the major factor in deciding the levels of service that account will receive.

Gross revenues are usually considered the basic measure of account importance. But, be warned, this could be very misleading. Often, the extra levels of service required to retain large accounts wipes out much of the profit margin.

Strategy 15: Demarketing and/or remarketing

Ok, so what do you do with the least profitable customers? Answer: Consider “demarketing” and “remarketing”.

“Demarketing” simply means dropping customers who are unprofitable and are expected to remain that way. Some example of how: raise minimum transaction requirements and/or reduce service levels.

“Remarketing” means repositioning unprofitable accounts so that they become profitable. Some examples:

1. Changing a direct buyer into an indirect buyer thereby reducing the cost of doing business. Look at what the banks have done with automatic telling machines
2. Increasing minimum order quantities, or adding a charge to small orders.
3. Converting accounts formerly called on by salespeople into house accounts dealing directly with the customer service department or telemarketing unit.

Strategy 16: Building personal relationships

A strong personal relationship between buyer and seller often carries as much weight as the quality and price of the service or product. But, be warned, the reverse is also true. Just look at what happens when a staff member leaves, the “orphan” customers will very often look for alternatives if they are not nurtured quickly by other staff members.

Doesn't it make good sense to invest heavily in ensuring that staff develop healthy relationships with customers?

Strategy 17: Immediate after sales follow up

The customer relationship is frequently most vulnerable when it is just being established. New customers may need detailed explanation of your policies and procedures, and appreciate information on how to do business with your company. It's important to keep an eye on these new customers to be sure their needs are met.

Prepare a packet of information that includes details like hours of operation, who to talk to for what, phone extension numbers, how to use the automated attendant system, and so forth.

Assign responsibility to a seasoned customer service rep for a new customer for follow-up and handholding, such as a “just-checking-how-things-are” phone call a month after the customer comes aboard

This kind of special attention helps establish customer loyalty from the very beginning, assuring that these new customers will be with you for a long time.

Conclusion

Go for it, because there's real **GOLD** in boosting your customer retention programs.

At the very least, get all of your team members in on this one. Why not hold a special session devoted to just this one topic *"How can we nurture our customers so that we will retain them for a longer period of time?"*

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