

If your company is like most, 80% of your revenue comes from 20% of your customers. And yet, many firms forget this and spend the lion's share of their marketing dollars on acquiring new customers, rather than keeping the ones they have. Why is that?

Customer Retention 101:

Are you making the grade?

Maybe it's because customer acquisition is sexy and easier to measure. Wooing new customers can be challenging and fun because you're snaking them away from your competition. It's like a game, and when new customers buy your product or service you've won. But what about your loyal customers who are your bread and butter? What have you done for them lately?

Retaining and growing your best customers are the keys to cost-efficient marketing and long-term profitability. It's like going to a

networking event and spending time with the contacts who can do you the most good. Go for the gold. Treat your best customers with kid gloves and they'll thank you for it with more orders, more often.

Back to school

Remember the thrill of getting all A's on your report card? Well, if you didn't then, you can now. Here are six action steps to get you on the right track. If you can make all A's, you're well on your way to improving your company's customer retention, growth and profits.

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1A) ASK – Ask your customers what they want, what they like and don't like. Include customer surveys on your Web site, at point-of-sale and in package inserts. You'll likely get "extreme" feedback from customers who either love you or hate you. Customers who are mildly satisfied are not as motivated to speak their minds. But only ask if you're prepared to deal with the responses. Turning a deaf ear to a problem is the kiss of death. Customers expect you to take action when they complain, especially if you initiated the dialog. Use feedback from your surveys to make improvements to your product or service. Customers love it when you listen to them!

2A) ANALYZE – Analyze your customer data to find out who your best customers are. This may sound like a big "duh", but the devil is in the details. There may be trends that you've overlooked. And keep an eye on profitability, not just transactions. In the credit card world, a heavy spender who pays off his balance each month is usually not as profitable as a moderate spender who carries a balance. When you know who your best customers are, you can tailor your marketing programs to keep those customers and encourage them to spend more with you.

3A) ACTIVATE – If you've sold your customer a service and they're not using it, get them to activate. Examples: online bill pay; long-distance service; credit and debit cards. At the start of a new

relationship, there's that warm and fuzzy feeling when a customer signs on. You got them to say "yes." Three months later you're wondering why your customer doesn't love you. Is it something you did? No. It's something you didn't do. You sold them and moved on. You assumed that the customer would fend for himself and figure out all the great things about doing business with you. The first few days/weeks of a new business relationship are critical. Kill them with kindness. Send direct mail and e-mail reminders. Thank them for their business. Do everything you can to make the "honeymoon" phase of your relationship special. In the long run, if they're not using your product or service, they're likely to bail when a better deal comes along.

4A) AWARD – Award your customers with meaningful perks for doing business with you. It seems like everyone has a loyalty program these days. Customers are getting weary of "me too" programs that don't offer substantial value. Instead of always giving customers what they expect, give them the unexpected. For example, a major credit card company awarded some of its best customers a box of Godiva chocolates for reaching a milestone in usage. It was an unexpected tasty little perk that came out of the blue. Results? These customers had above average retention rates the following year. Sometimes the little things can mean a lot.

5A) AGGREGATE – Try to get all the customer’s eggs in your basket. In other words, cross-sell other products and services. It’s much easier because you already have a relationship with these customers. Offer “one-stop shopping”, consolidated billing, free shipping and other benefits for giving you more of their business. Everyone’s busy, and consumers are looking for service providers who can make their lives easier. It’s what they want, so why not give it to them?

Case in point: Amazon.com.

What started as the “Earth’s Biggest Bookstore” in 1995 is now an online powerhouse, offering everything from toys to travel and Target® merchandise. Amazon.com® took a winning formula and added new product categories and partners. And in spite of their hugeness, they come across as warm and approachable, with a personalized home page and customer-specific product recommendations. Customers tend to spend more and come back because Amazon makes it so easy to log in and buy from multiple vendors.

6A) ACT – Having a great product and great customer service are the foundation for customer retention. And positive word of mouth is by far the best marketing tool in your arsenal. But you can’t control when that happens, so you need a marketing plan to keep the customers you want. Don’t just hope your customers love you – be proactive. Put your plan in writing and make it stick. Follow through and take action. Use direct mail, e-mail, newsletters and other marketing tools to make your best customers feel special.

Treat your best customers with respect and they’ll reward you with loyalty beyond your wildest dreams. Send them targeted messages. Give them special incentives. Keep in mind that it’s easier to cultivate your existing customer relationships than to begin new ones. Not to mention less expensive.

It costs about five times as much to acquire a new customer as it does to keep a current customer. That’s why it pays to pay attention to your best customers. In the end, they’ll buy more, stick with you longer, and tell their friends how great it is doing business with your company. Isn’t that what we all want?

Ready for the pop quiz?

If not, here’s a quick recap on how to get A’s in Customer Retention and Growth.

- Ask
- Analyze
- Activate
- Award
- Aggregate
- Act

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