



## Article Reprint

### **Keeping Good Customers: The Art of Customer Retention™ by Steven Howard**

In the previous issue of *Today's Manager*, we wrote about the need to build, earn, and reward customer loyalty before you will be able to keep customers truly loyal.

Why is customer loyalty so important?

For one thing, numerous research studies have shown that if you can reduce your attrition rate – that is the annualised rate of lost customers – by as little as five percentage points, you can increase your bottom-line profits by anywhere from 25% to 85%.

That's right, just keeping more of the customers you have and preventing them from taking their business elsewhere can have an immediate, positive impact on your bottom line profits.

The reason for the increased profitability from loyal customers is that they stay longer, cost less to service, provide higher margins, purchase across product lines, have less price sensitivity, and demonstrate near total immunity to your competition.

Many companies measure customer satisfaction, figuring that this directly translates into customer loyalty. While there is a direct correlation between customer satisfaction (particularly complete customer satisfaction) and customer loyalty, managers need to remember that customer satisfaction is an *attitude*. Relatively high levels of customer satisfaction will not always translate into repeat purchases, particularly in saturated markets and industries, where your customers have many, many alternatives available to them.

Customer loyalty, on the other hand, is a *behaviour* that is attained through consistently delivering *high levels of complete customer satisfaction*.

#### **Taking Care of Customers**

The two best ways to keep customers from leaving are:

1. understanding their needs, and
2. delivering upon the promises you make to satisfy these needs.

What's the worst thing that happens when a customer leaves? It's not just that you lose the revenue, and profits, from that customer this year. It's also that you are likely to lose all future income from that customer, at least for several years to come. Lost customers rarely return. And certainly not quickly.

But the worst thing may not be just the lost revenue to your sales figures. The worst thing is that a typical customer will tell up to 19 people when they are dissatisfied with your products or services. Thus, your ability to transact, or to develop relationships, with these 19 other prospects and customers can be quickly diminished.

Another thing to remember is that not all customers are of equal value. Typically, a customer who has been with you for a longer time is more valuable than a more recently acquired customer. For instance, a customer who has been with you for five years is likely to be giving you 8-10 times the profit stream of a newly acquired customer.

Hence, if you lose a customer that has been buying from you for five years, you may need to replace that customer with not one, but perhaps eight to ten new customers just to replace the value of this one lost customer.

If there is one message you want to give your staff today, it may be a renewed emphasis on keeping and satisfying the customers you have.

Keeping good customers is a more sure-fire method for future success than a constant focus on attracting new customers.

### **Customers Are Hidden Assets**

Your own customer base is often a highly under-valued asset.

Successful companies today are switching from a transaction perspective with their customers to a customer loyalty-building perspective. The way to do this is to earn customer loyalty, by understanding true customer needs, committing to quality, delivering upon the promises you make, and by treating customers as people, not as accounts.

Three key areas you should question yourself include:

- Does your organisation respect your customers and prospects, or do you see them in terms of the transactions they make with you?
- Do you appreciate that your customers seek convenience and do you have the processes in place that enhance convenience to your customers?
- Are you in the business of solving problems for your customers, or merely in the business of making products and hoping that someone purchases these?

## Treating Customers Differently

In my most recent book, *Powerful Marketing Minutes: 50 Ways to Develop Market Leadership in the 21<sup>st</sup> Century*, I devote several chapters to the growing need to treat customers as individuals with individual needs, wants and desires.

There are four steps to go about this, and are detailed in the book *The One to One Fieldbook* by Don Peppers, Martha Rogers and Bob Dorf.

They identify four key implementation tasks that can be used as a guide for initiating individual relationship marketing programs, or what they call 1:1 marketing. These four steps are:

- Identify – identify your customers in as much detail as possible. You need to know more than demographic data like age, address, and income. You also need to know their habits, preferences, and reasons for transacting with you. This information needs to be linked across your entire operations.
- Differentiate your customers – customers are different in two critical ways: they each represent a different level of value to the organisation and they each have different needs from you. The more you can differentiate your customer base, the better you can prioritise your efforts so that you gain the most advantage with your most valuable customers. Additionally, such differentiation allows you to tailor the organisation's behaviour to each customer based on that customer's individual needs.
- Interact with your customers – every interaction with a customer should take place in the context of all previous interactions with that customer. One goal of every interaction with a customer should be to acquire additional information about that customer that can help you make decisions or implement new strategies.
- Customise – customise some aspect, or many aspects, of how your organisation interacts with and behave towards each individual customer. In order to practice true 1:1 marketing, the production or service-delivery aspect of your business has to be able to treat a particular customer differently based on what that customer said during an interaction with you.

In the past, being customer-oriented has meant operating in order to meet the needs of the *typical* customer, or the average customer.

Fewer and fewer businesses today can afford to focus on the average customer. Your future growth, and future profitability, comes from satisfying the needs of your most valuable customers.

To treat your most valuable customers not as average customers, but as *your most valued customers*, requires that they be treated as individuals – with individual needs, wants and desires.

This is the true essence of what is being called 1:1 marketing today.

### **Keeping Customers Loyal**

It is far wiser to build your future business growth plan on completely satisfying the needs of the good customers in your customer base. After all, lost customers rarely return; and the costs of acquiring new customers increases with each passing year.

Developing a loyal base of good customers is a solid way to build long-term, consistent profitability. To achieve this, you'll need to treat your customers, particularly your most valuable customers, as individuals with individual wants, needs, and desires.

After all, your customers are one of the most important assets you have. What are you doing today to enhance the value of this asset?

That's a question worth considering each and every day.

### **The Author**

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