



## Article Reprint

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

Many organisations place their highest emphasis on attracting and gaining new customers.

While this is important, I feel it is more important to place a higher emphasis on retaining and keeping your current customers. This is particularly true in saturated markets and industries, where your customers have many, many alternatives available to them.

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 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 8 to 10 new customers just to replace the value of this one lost customer.

*If there's 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**

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

Keeping good customers loyal to your product, your service and your organisation will be critical to your future marketing success. Having a loyal customer base of *good customers* (i.e. profitable ones who appreciate your products and services) will be one of your most competitive advantages with 21<sup>st</sup> century customers.

The place to start is understanding why customers leave and how you can take steps to improve your customer retention ratios. The most successful companies in today's markets are doing a better job of retaining good customers by finding imaginative ways of exceeding customer expectations through the Sales/Service Relationship Formula. As a result, their competitors are finding it increasingly difficult to steal these entrenched customers.

The Sales/Service Relationship starts with a mindset of understanding and appreciating customer needs. It's not good enough to guess at what the customer's needs are. Your front-line people need to probe into these needs so that they can uncover the unspoken and deep-seated concerns of each individual customer. This will enable your sales force to turn service opportunities into sales and to turn sales opportunities into value-added service.

At the heart of the Sales/Service Relationship is a commitment to quality – at all times and in all instances. It's a commitment that ensures that every little error, such as typos in your customer communications, are discovered and corrected before any customer is exposed to them. This includes e-mail. Ever notice how many e-mails you receive are loaded with spelling errors, despite the fact that most e-mail software today includes a basic spell checker application? There is no excuse – other than plain sloppiness and laziness – for this to happen.

Keeping customers truly loyal to your products and services requires more than numerous price discounts, decreasing margins, and "rewards" programmes. To build relationships that last, your company must first *build* customer loyalty and *earn* customer loyalty, before attempts are made to reward customer loyalty. Importantly, customer loyalty needs to be rewarded in a relevant manner, which means that not all customers can be rewarded equally or in the same manner.

Interesting, loyal customers actually tend to be higher profit customers, and are often willing to pay higher margins in exchange for confidence and consistency of product and service delivery. This is where the organisation's reputation and corporate image come to play. Your corporate image plays a significant role in both customer retention

and customer loyalty. The corporate image can be a strategic weapon for any company, large or small, multinational or local.

Keeping good customers is a matter of being customer-centric in your marketing approach, understanding and applying the Sales/Service Relationship Formula, building relationships that last, and constantly leveraging your corporate brand for relationship building.

It may seem difficult, but it is a whole lot more rewarding (and profitable) than fighting your marketing battles over price, discounts, and channel rebates.

### **The Author**

*Steven Howard is a Melbourne-based marketing consultant, author, conference speaker, and Non-Executive Director in both the profit and non-profit fields.*

*Visit his web site, [www.howard-marketing.com](http://www.howard-marketing.com) for valuable information and links on marketing, customer retention, branding, and corporate image management or to sign up for his free weekly newsletter The Monday Morning Marketing Memo and his marketing blog.*

*He is a positioning specialist, whose 30-year marketing and sales career in Asia and Australia has covered a wide variety of fields, ranging from consumer electronics to publishing and from a national airline to personal financial products.*

*He is President of Howard Marketing Services, which provides consultancy and project management services in the areas of Marketing Management, Product Development, Positioning Strategies, Customer Retention Strategies, New Product Launches, Event Management and Brand Management.*

*He consults on a regular basis to companies in the financial services, industrial products, consumer products, restaurants, petroleum, publishing and hospitality fields.*

### **Contact details**

**Phone:** (61-3) 5428-1388

**Fax:** (61-3) 5428-1399

**E-mail:** [steven@howard-marketing.com](mailto:steven@howard-marketing.com)

**Website:** <http://www.howard-marketing.com>

**Blog:** <http://www.howard-marketing.com/marketingblog>

**Free Newsletter:** Receive Steven Howard's free weekly marketing newsletter, the **Monday Morning Marketing Memo**, by subscribing at [www.howard-marketing.com](http://www.howard-marketing.com).