

Customer Retention, A Simplified Approach

By Terri Schepps

Retention is definitely the “buzz” word for businesses today. Customer retention has business leader’s attention and leaving most wondering how other businesses are approaching this seemingly complex business function. A web search of “customer retention” results in thousands of available web sites all with the *real* solutions for customer retention. Researchers, analysts, and consultants have developed a multiple selection of theories, programs, and practices for customer retention. Businesses today readily share their experience in improving customer retention. Most solutions point to business culture, staff training, and sales methodology along with tracking and responding to customer demographics. In simple terms, customer retention is all about the customer and the customer’s experience.

There is a lot of information available saying much the same thing – Customer Retention focus is imperative to a business existence. This information is absolutely correct! Profits and growth are reliant on both customer and employee retention within an organization. The question is how can today’s small businesses compete with the sophistication of big corporate America? These powerful companies have the capability of hiring teams of “retention or relationship experts”, installing sophisticated CRM programs, and providing employee training and coaching programs; while at the same time offering lower prices. It’s time small businesses allow big businesses to keep those customers who are only shopping for the lowest price. There are plenty more customers looking for service above price! The focus for small business should be value, not necessarily the lowest price.

The reality is a small business, whether retail or service, can have the advantage over big business, if they can understand one logical concept: **small businesses have the upper hand in capturing their market share through true customer retention and positive customer experience initiatives.** This is so simple it is easily overlooked. The personal touch of a small business positively affects customer retention. This is why so many larger businesses have chosen franchising, direct marketing or network marketing to sell their product or service. What they are really doing is giving the consumer and businesses a personal experience.

Consumers and businesses place value on added service. Who doesn’t appreciate an owner, sales rep, customer service rep, or agent showing sincerity and interest in the customer during the sales process and life cycle of the customer? So even if a product or service is slightly more expensive, purchasers are willing to invest in value added to the product or service. We expect more when we pay more. The key to success is a positive customer experience – the simplified approach to retention.

How can a positive customer experience be viewed as a simple approach? This happens when owners and agents do what they do best, pass along passion and vision of their business through service to their customers. So how can a business ensure a positive customer experience? Follow this 7-step personal touch process:

- Offer only proven & quality services and/or products
- Demonstrate customer appreciation
- Provide responsive and pro-active customer service
- Give instruction on how to get the most use from products and/or service
- Share testimonials from customers with other customers and potential customers
- Educate the customer about the industry or market and about the value of the business
- Invite customer’s opinion and feedback on products and/or services

Small businesses can deliver a positive customer experience by utilizing all sources of communication—staff, letters, phone calls (inbound and outbound), web site, emails and event attendance. Customer experience begins during the sales process. Marketing and selling the product and service must sell the expectation of a positive experience. This is where businesses undersell its business, the value they offer: **why should a consumer or business buy from them and not from someone else?** After the sale it is critical to meet and exceed the expected experience. Service must never deviate from the marketing concepts. Customers should feel like they got their money’s worth.

Customer retention does not have to cost a fortune, however it must be pointed out “you get what you pay for”. Companies are spending extreme amounts of time and money to obtain new customers, but yet are unwilling to spend a fraction of that amount to keep their existing, **PAYING** customers. Customers are a great investment-before and after the sale! When businesses are committed to positive customer experience, retention improves; referrals improve; sales increase. See how simple?

Acquire	Retain
Cost of sale = \$500 per customer Time to sell Web Site Advertising Marketing Materials	Cost of Retaining a customer=\$100/yr. Time to Deliver experience Increased Quality of service/product Personnel Training Letters/Outbound Calls
Loss	Gain
Customers Not Retained = Lost Revenue & Lost Initial Investment (cost of sale) Negative Marketing (additional marketing needed to counter) Additional personnel costs for complaints/cancellations	Customers Retained=Increased Revenue Increased Referrals Increased Sales More satisfied customers, less personnel needed to “manage” negative issues

A business should not have to invest more than 1/5 of what it *spends* in acquiring the customer to retain the same customer. The cost of getting and keeping the customer should be calculated together. The cost of following the 7-step personal touch process cost less than doing nothing. Doing nothing does not create a positive customer experience. Doing nothing results in losing customers. When customers leave, they don’t buy, they share their negative experiences with others, and they certainly don’t recommend the business to their friends, family or co-workers. This negative marketing increases the need to spend even more to keep up with the loss and other related expenses. Image the positive aspects of retention. It doesn’t take a rocket scientist to figure out the more customers retained, the more exponential the business will grow! Experts have already proven, over and over, retaining more customers can result in significantly higher profits. They also have proven it indeed costs much less to retain customers than acquire them. All one needs to do is act on this information. If done sincerely and genuinely, it’s money in your pocket!

So if customer retention is so simple, why isn't every business an expert at it? Here's another simple answer--time. The many roles of an owner or agent can be quite overwhelming. They may not have the staff or the time to keep in touch with their customers. Managing a business includes hiring, firing, accounting, marketing, producing the products and services, obtaining vendors and so much more. In addition, many small business owners are the one delivering the product or service to the customer. In order to grow their businesses; owners have to focus on generating new sales--or so they think. What must be kept in perspective is the balance between getting new customers and keeping current ones. Keeping current customers should be a business priority. Here's why: **The three R's in business are: Retention, Revenue and Referrals! Customers are your business and customers are the highest resource for revenue and more customers.**

If businesses don't have time to put a retention program together, they should hire a professional (retention expert that is); it's worth it! If businesses don't have time to pro-actively follow up with customers personally, outsourcing or hiring someone to follow up on their behalf is a must. Businesses should only hire employees, contractors, and vendors who share the same passion for a positive and beneficial customer experience as the business. The focus of following up with customers should never be about selling them more, even though this will occur naturally; it should always be about making sure they are satisfied and allowing their feedback. Businesses do this by delivering an exceptional service and/or product. When a customer has a negative experience, the business should do everything they can to turn the situation around. Businesses need only put themselves in the customer's place to realize the importance of delivering an impressive experience they won't soon forget.

Retention is nothing more than delivering the right customer experience. It's simple when delivered with commitment to the customer. Do what comes naturally with passion and conviction along with a little common sense--and watch your business grow!

About the author...

Ms. Terri Schepps is the President of Integrity For You, Inc., www.integrityforyou.com located in Dallas, Texas. IFYI was co-founded with Ms. Terry Rucker-Wilhite in October 2000 as a vision to provide proactive customer service to businesses seeking growth through customer contact. She also serves as a board member of IFYI.

Before joining IFYI, Terri gained experience by working very closely with other businesses on a consulting basis. Prior to consulting, she worked with a leading natural gas supplier and was focused on accounting and customer relationships.

Terri can be contacted at IFYI, through tschepps@integrityforyou.com