

Retention

It's the end of the month and it's looking pretty close to being in the red or being in the black. What is the first thing you hear from the Higher Ups? Reduce and cut all expenses. How many of us are motivated by the words, reduce and cut? Not a very positive message. How many of us would rather hear grow?

“It costs between five and six times more to attract a new customer than to keep an existing one.

In research conducted by Bain & Company, companies can boost profits anywhere from 25 to 125% by retaining merely 5% more existing customers.

A 2% increase in customer retention has the same effect on the profits as cutting costs by 10%.

Happy customers tell 4 to 5 others of their positive experience. Dissatisfied customers tell 9 to 12 how bad it was.”¹

Let's look at the facts above. It's about \$250 to get your phone to ring and have a new potential customer inquire about your business. It's actually double to get them to buy something from you. That's a lot of advertising dollars being spent to bring new customers in. How many of you know the most effective way to advertise in your area? All areas are different and if you are not tracking and researching you may be throwing that money away. If you retain your customers and keep them happy, they actually will bring new customers in for you and those customers will be more likely to spend. Take a moment and read the book “Raving Fans”, this book helps explain the power of happy customers.

Keeping merely 5% of our existing customers will increase profits at least 25%. That's powerful. How do we retain customers? WOW service. If you are not sure what WOW service is, revisit my past articles and you will see. WOWING a customer costs very little yet it will retain them. People who are WOWED don't shop around. Another way to retain customers is to make them feel special. Does your business have a program for loyal customers? Think of airlines, hotels, car rental companies, heating and air conditioning companies, the list goes on. All these companies have something to entice the customer to continue to do business with them and offer discounts and rewards. These programs are only as powerful as the people in your organization. If you don't thank the customer for being special and using your services, the customer will never see the value. Make it every day business to thank your customers and tell them the benefits and value of being one of your loyal customers. If you don't remind them your competitor will.

As stated at the beginning, hearing the words Cut or Reduce are demotivators. Increase is motivating. Just 2% more customers is like reducing costs 10%. Think about some of the expense accounts you will affect, advertising, labor, material, again the list goes on. Think out of the box, where will your company save. Most companies will lose 50% of their customer base every 5 years. That's a pretty powerful fact. How can your company avoid this? Make your customers want to stay.

Happy customers tell 4 to 5 people, unhappy customers tell 9 to 12. I love this fact because it makes me think of fishermen. When a fisherman catches a fish it may be 3 inches long but as the story is retold how big does the fish become? Think about what happens when people talk about the negative experience at your business? The rude service person becomes the person who beats you up. People like to exaggerate when they speak and people listening like to hear bad stuff. Why do we have so many news programs? When was the last time they told us all good stuff?

Retention shouldn't stop with your customers either. Look at your staff. Some facts you may want to think about when dealing with your employees:

- Nearly 40% of working adults in the U.S. said they are likely to look for a new job in the next 12 months. (Spherion 2005)
- By 2010 the U.S. will be short 10 million workers- this is actually 10 million workers with the right skills. (U.S. Bureau of Labor- Statistics)
- Turnover is much too costly for any of our organizations to deal with! Depending on whether you're replacing a non-skilled, semi-skilled, or professional-level employee, turnover costs could range from 50 to 150% of the departing employee's annual wage. ²

Those are some pretty staggering facts. The costs of hiring don't include the disruption in your business either. And for any of us lucky enough to ever hire, you don't always find that right person the first time.

So let's motivate are people and stop thinking about reducing and cutting. Let's talk about adding. This can play a part in your personal life also. Something powerful happened in my life from adding rather than reducing. During Lent it is customary that we give something up, cut it from our lives. I am not a chocolate person so that wasn't an option, junk food and candy wouldn't be that much of a challenge, and I don't smoke. There just didn't seem to be a challenge, well Father Z always knew what to say and his service spoke about adding rather than reducing. That Lent, 3 years ago, I decided I would go to church at least 3 times per week. To this day I try to attend morning Mass every time I am home. It has brought so much into my life that it just reinforces Retain don't Cut or Reduce.

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¹ Lisa Ford, David McNair, Bill Perry; Exceptional Customer Service, copyright 2001.

² Linda Gravett, Ph. D., Robin Throckmorton, M.A.; Bridging the Generation Gap, copyright 2007.