
You Don't Need Any New Customers!

CUSTOMER RETENTION

Stop overspending on customer acquisition and underspending on customer retention! Did you know that companies are more likely to allocate 6 times as much to the expense of generating new customers than they do to the much less expensive process of trying to retain their customers.

If your company is typical, it costs you five times as much to get a single new customer as it does to keep one you already have. Moreover, most businesses lose about 25 percent of their customers annually. If you could cut just 5 percent off of that customer loss, you could add as much as 100 percent to your bottom line.

Why is business lost? Your competition is snatching up your clients. This chart illustrates where your customers go. The main reason for their departure is that after you spend dearly to acquire them, you rest on your laurels, indifference sets in, and your competitor woos them away with careful attention to their specific needs.

What is the cause of indifference? Most businesses don't consciously choose to ignore their clients. They just don't continue to focus on them. Typically, businesses are structured around the old mass-marketing paradigm. This aging standard marketing method is focused more on obtaining new customers, than it is toward retaining current ones. In the staffing business, many sales people are still trained to play the "numbers game." Make enough calls and customers will come. While this will produce sales, it ignores the value of existing clients.

A concentrated effort must be initiated in order to retain those customers who keep you fed. Unfortunately, it is often easier said than done. To coordinate a marketing program geared to retain existing customers is not an afternoon's project. It will require that production, quality



control, customer service, and all the other routine business operations take a hard look at their current processes and make a dedicated effort to focus their goals on retention. This undertaking will be a new process because none of these functions were previously used in development of marketing plans geared to acquiring new customers. This exercise will be a lot like learning to ride a bicycle backwards, you know what you need to do, but the execution is tough.

MARKET-SHARE vs. SHARE-OF-CUSTOMER

Again, the age-old marketing approach has been to calculate your market share by counting up your business' total sales, and dividing by the determined grand total. How do you increase market share? Advertise more to attract new customers, then lower your price to get them to buy. Great, now you've (temporarily) increased your sales, and by design, market-share. Tomorrow, when your competitors catch on to your 'Marketing 101' strategy, you will regain your previous market-share and your profitability will suffer because of your lower price and increased sales and marketing expenses.

Remember back to that corner store where Betty knew each of her customers by name. Now, begin to look at the business you are getting, or not getting, from *each* customer. Then, try to increase your share of *each customer's* patronage, one customer at a time. If a client were to place a total 6 orders a year for staffing, and your company received 2 of these, you would have a 33% client-share. This sounds impressive, but if you really want to increase profits, find out how to get the other 67%! Do this by giving them what they want and need, don't be indifferent. When you begin to nurture the relationship you have with each customer, you will also increase your share-of-customer.

CUSTOMER RETENTION vs. CUSTOMER ACQUISITION

Now that you've begun to think about how much you are underspending on customer retention, consider the following example in applying this concept to your company:

Cost to Acquire One New Customer:		\$20		
Cost to Retain One Current Customer:		\$4		
Acquisition Emphasis			Retention Emphasis	
Acquire 6 Customers:	\$120		Acquire 3 Customers:	\$60
Retain 5 Customers:	\$20		Retain 20 Customers:	\$80
Total Cost:	\$140		Total Cost:	\$140
Total Customers:	11		Total Customers:	23

Chances are that your accounting for customers is not this cut and dry. The above example, simplistic as it is, is presented to reinforce the point of this article. Being able to formally account for the cost of acquiring and retaining each customer, although difficult, can be done. Your results and values do not need to be to the penny to realize that the theory of the previous example is accurate. Once you confirm that the cost to acquire is substantially higher than the cost to retain, you can then re-align your advertising and marketing campaigns to focus on keeping and developing professional relationships with your clients. When you take action to avoid losing your 25%, you will raise your bottom line, it's that easy.

How to Retain a Customer in the Fiercely Competitive Staffing Industry (a short list):

1. Offer volume discounts
2. Provide extra value added services for high volume users (e.g., VOP, special reporting, staff planning, orientations)
3. Give exclusivity discounts - special pricing for clients who guarantee to call only you
4. Start a relationship marketing programs targeted at existing clients - reinforce importance of your relationship
5. Make special offers to your best clients
6. Offer free seminars/education for the employees of your best clients
7. Provide on-line ordering for volume users
8. Appeal to a customer as a business, not as a user of staffing services - if you can demonstrate that you have solutions to their business problems, you will be paid to fix them
9. Let your clients know that you are committed to working *with* them, unless you just want to be seen as a vendor
10. Give them what they *actually* want, not what you think they *should* want
11. Make sure the customer knows EVERYTHING you have to offer, they won't buy what they can't see
12. Cut out all the frivolous things that cost you and the customer money and don't really add value for your customer
13. Actively pursue a marketing program designed to build, strengthen and maintain professional relationships with the people at your client's companies who make the key decisions
14. Make it easier to do business with your company - simplify ordering, improve credit terms
15. Thank your clients often! Don't take them for granted - you know where indifference will land you!

If this article has caused you to think any differently about your business, and you want to avoid client indifference, please call us. The core belief of Haley Marketing Group is to build the relationships that build business. Our relationship marketing programs are designed to create and maintain irresistible relationships with prospective clients and to ensure that your existing clients are appreciated and not neglected. You can reach us at: (716) 631-8981.