



THE IMPORTANCE OF CUSTOMER RETENTION – PART 3

by Leigh Wallinger

This is the third in a series of articles that look at the importance of customer retention, why it is critical you develop long-term customers, how you can keep customers and what happens to your profitability if you don't – even if you replace them with new customers.

In the earlier articles, we have looked at the benefits of having customers for the long-term and how you can improve your customer retention levels simply by improving the relationship you have with them. We looked at how these improved relationships with your customers will reduce your defection rate and suggested the use of customer feedback forms and questionnaires to identify what is important to your customers in their relationship with you.

Improve your customer relations

By investing time and energy into the relationship with your customers and being attentive to the things that your customers rate as important, you will make them feel that they and their business is important to you. This is important as the vast majority of customers who switch suppliers do so because they feel their supplier is taking their business (their revenue stream) for granted. By remaining attentive, you will ensure your customers don't become disillusioned with you as a supplier. Instead, they will gradually become advocates of your company and its products and services. Provided your products / services continue to meet an important business need, these customers will eventually become loyal customers. Importantly for you, they will become long-term customers – see the first article in this series.

Much has been written in management books about satisfied customers & loyal customers. For the purposes of this article, satisfied and loyal customers are those who are comfortable with you as a supplier and who benefit from your products /services to such an extent they wouldn't look to an alternative supplier.

It is known that unhappy customers talk about your company much more than your satisfied customers do, and this is not good news. Your unhappy customers will talk about their problems and the issues they have in dealing with you, the fact that you are not delivering what was expected, when it was expected and that you don't seem to care.

It is impossible to counter these negative comments about your company until you tackle the source of their dissatisfaction. By connecting with your customers and collecting feedback, you can identify where things have gone wrong and you can begin to address these issues. A well designed and structured feedback questionnaire is an excellent tool in this process. It is totally non-confrontational and can be used to re-establish a dialogue with your customers.

Some customers will always be hard to please

As you work to improve the way you interact with your customers, their negativity will start to reduce and you will find that you can address 80% of the issues quite quickly. Therefore the impact of this new policy is also quite marked. Be ready to accept, though, that there will remain a few of your customers who don't respond to this approach. In fact, they don't respond to very much at all and might be referred to as "serial negatives". These are the customers that you will never please, no matter how hard you try. When you identify a "serially negative" customer, one of the best strategies to devise is one which encourages this customer to transfer their business to your main competitor.

At this point, you and your customers have begun to travel on an upwards spiral. Your customers see you as a supplier trying to address the points which are important to them. Their confidence and trust in you builds and they gradually move into a different psychological state. Soon, they begin to say positive things about your company and their experiences. You don't yet have a customer for life, but the foundations for them to remain loyal to your



company have been created. In itself, this will have a positive impact on your profitability, as described in the first article of this series.

Collect testimonials and referrals

As your customers slowly move up the "satisfaction curve" you can benefit still further. Firstly, your customers will be more inclined to give you a testimonial – however, you do still have to ask for them. Testimonials are one of the most powerful sales tools available to you. They rapidly build confidence in your company and provide reassurance to potential customers who are trying to decide whether or not you would be a good supplier. Testimonials have an impact internally too. Staff morale will improve as everyone will see how their activities are benefiting their company and its customers. People will want to come to work to please your customers and will want to have their efforts recognised.

Beyond testimonials, your most satisfied customers will also give you referrals. A referral is where your customer opens up their list of contacts to see who else they know might benefit from your products / services in the same way that they have.

For you, referrals are excellent. They could be described as part-qualified warm sales leads. Without doubt, they are the easiest to contact and to engage with. They are already primed with some of the positive experiences your customer has had and will be willing to consider your proposition.

For your customers though, referrals are a risk. Before giving you a referral, your customer must be willing to take a risk in referring you. For every referral they give, they are risking their relationship and their friendship with the person they refer you to. If you mishandle a referral you will upset 2 key people in your network.

You are not going to get the benefit of a steady flow of referrals without a high-level of comfort and trust between you and your customer. For information on software that can build the necessary confidence and trust into your relationships with your customers and collect testimonials and referrals from your customers, please contact us via our website.

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