

## CUSTOMERS! WHO NEEDS TO KEEP THEM?

*'Knowing' that customers are important still doesn't mean companies will spend money keeping them, complains Rob Brickle.*



**Rob Brickle: you need to get under the skin of your customers**

In today's challenging economy and competitive business world, retaining your customer base is critical to any business. If you don't give your customers some good reasons to stay, your competitors will inevitably give them a good reason to leave and may continue to exploit that weakness with your other customers.

It is an established fact that customer retention and satisfaction (or more appropriately loyalty) drives profits. Everyone knows that it is far less expensive to cultivate your existing customer base and sell more services and product to them than it is to seek new, single-transaction customers.

Some simple but well-known facts about the cost of customer acquisition and retention...

- Acquiring new customers can cost five times more than satisfying and retaining current customers.
- A 2% increase in customer retention has the same impact on profits as cutting costs by 10%.
- The average company loses 10% of its customers each year.
- A 5% reduction in customer defection rate can increase profits by 25-125%, depending on the industry.
- The customer profitability rate tends to increase over the life of a retained customer.

So, given all this, why is it that organisations sometimes seem obsessed with customer acquisition and do nothing to manage customer retention?

History shows that in an economic downturn, it is the high-performing companies that prepare for the upturn. And one of the attributes they display is to protect their current customer base, while at the same time having a clear view on customer acquisition and promoting their future success.

How do they achieve this? Simple really – they invest in gaining the insight they need to put in place appropriate interactions to ensure their success.

Does your company act as a high-performing company? To do this, you need to get under the skin of your customers – literally. You need to understand their changing needs, what their expectations are on service and delivery, and how you can deliver a differentiated experience from your competitors.

Now more than ever, customers need their suppliers to be working with them in an integrated way that helps both parties achieve success.

All obvious, you may say, and I would not disagree. Surprising then, isn't it, that many companies put more effort and science into keeping track of their office supplies, general assets and other such costs than they do of their customer relationships?

This new world is competitive in ways that it's never been before. Ask the customers of any company how many times they have been approached and aggressively pursued by their supplier's competitors. Then ask the supplying company if it can be optimistic about keeping its customers happy on a day-to-day basis.

Companies that are well-informed have invested in their customer relationships, have gained the loyalty and trust of their customers and can demonstrate this.

The number of competitors organisations face today is increasing at a potentially alarming rate. This comes not only from globalisation, where competition is no longer limited to local companies, but also from companies exploring opportunities in adjacent markets and consolidation in the supply chain.

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This increased competition has been triggered by the fading of physical as well as sector barriers. Perceived small differentiation between products and/or services has allowed competitors to copy from each other.

This last point, in particular, sometimes drives the customer to think of price as the only determining factor between one brand and another. Where a company is unable to demonstrate value or differentiate itself in the relationship, this will inevitably be the case. These companies then find themselves competing in a commodity environment with transactional customer relationships.

Organisations that have high rates of attrition often point the finger at commercial reasons for losing customers. They will blame price, stronger and more efficient competition, or the economic downturn for the loss.

The reality is, however, that customers rarely leave due to commercial reasons alone. The main reasons companies lose customers are a bad experience or perceived indifference from the supplying company.

I recall a recent experience with an organisation that was pretty much in a monopolistic supply situation. One customer was particularly unhappy with the service they received but the supplier showed considerable indifference as it considered itself to be 'the only show in town'.

Well I can confirm that this is no longer the case, and the then supplier has found itself ousted with considerable loss of revenue, not to a technically stronger competitor but to one that cared more about the customer.

Customers...well sometimes it may be hard to live with them but you sure as hell can't live without them!

If you want to be in the same boat as some of the world's high-performing companies, best get on board with a decent customer management strategy, be proactive in the way you manage your relationships, be clear about the interactions you put in place as a result and why, as well as understanding the leading and lagging indicators in those relationships.

If you are already there, that's great and caps off to you. If you aren't, you can always do nothing, arrogantly bury your head in the sand and hope that you will still be around when the upturn comes about. Otherwise as a friend of mine used to say: "You may find yourself caught swimming naked when the tide goes out"!

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