

Post-Service Communication Key to Creating Lifetime Customers

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Every industry and business has unique challenges and opportunities that ultimately revolve around one principle — customer retention. You can have operational excellence, financial discipline, marketing genius and the best strategic vendors and partnerships. Without customers, however, you are not a viable entity; and without customer retention, you are not positioning your organization for long-term health and growth. And, while most of us fancy ourselves to be well above average in the arena of customer service, the plain facts state otherwise.

For example, an illuminating J.D. Power and Associates survey of 5,000 adults found that the majority was dissatisfied with the service levels of 120 different categories of products and services. However, when asked to rate their own industry, 75 percent gave it a positive response. When asked to rate their own personal contribution to customer satisfaction, they graded themselves out at virtually 100 percent.

In other words, if we are in the oil change industry we think pretty highly of our own industry and are particularly fond of our own efforts. Conversely, we may not

creates “churn” within a marketplace and within an organization. Churn is those customers that defect from your service to competitors, or leave the sector altogether. For example, if a customer is not completely satisfied with his experience at your fast lube facility, he may try your competitor down the street. Or, he may switch sectors altogether and decide to go back to his dealership.

Some companies lose half of their customer base every three years. This turns out to be a very expensive proposition, because it is about five times more expensive to recruit a new customer than it is to retain a current customer. On the flip side, a 5 percent increase in customer retention yields an impressive 25 to 100 percent increase in profits.

There is a big potential upside here. The vast majority of the 98 percent (about 85 percent) of dissatisfied customers are recoverable. Acknowledgement and apologies go a long way to recovering most customers. Beyond those actions, however, it is imperative to know which customers need to be recovered.

How do we do that if they don't bring the issue to us? What can we do to ensure that our business is not left in the dust of customers stampeding away from our doors?

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think so highly of our cell phone service provider, bank or the last hotel we frequented. Of course, the hotel provider is pretty confident of her own customer satisfaction abilities, but when it comes to the oil change industry, she's quite shaky!

Moreover, a study by the U.S. Office of Consumer Affairs found that 98 percent of dissatisfied customers never complain, they just switch to your competitors. The fact that we don't hear from 98 percent of dissatisfied customers lulls us into a false sense of security. When you think about it, most people just don't like to confront another person and tell them they are unhappy.

Sometimes, it seems, the closer we are to something, the cloudier our judgment. This lack of a clear understanding of the customer experience and customer expectations

The first thing we need to work on is a conceptual shift in the way we view customers. Businesses have traditionally viewed customers from a transactional standpoint: customer enters business; customer buys product or service; customer leaves business. A new way to look at customers is from the relational perspective.

In building relationships with customers, we are actively involved in service recovery (turning negative situations into positive situations), customer satisfaction and building long-term loyalty. Relational customers are less sensitive to marketing advances by competitors and changes in pricing (either yours or your competitors); they will refer you to friends and family; they are receptive to new service offerings; and they provide a good opportunity for incremental sales.

Beyond that paradigm shift, let's take a look at some specific actions you can take to build a relational business with your customers:

1. **The "Thank You" message.** It is a good idea for the owner and/or manager to personally call to thank a certain percentage of customers and ask for any feedback. You may be surprised at what you hear, both positive and negative. Today, there are also systems that will record your voice, thanking the customer and offering an opportunity for feedback. The feedback is then available online in real time so owners and managers are hearing the voice of the customer on a daily basis.

2. **Thank you message with customer survey.** This is an extension of the Thank You message and offers the customer a short four- or five-question survey after the initial message. Survey results are tabulated and posted in real time and give a more granular look at the service experience. This type of measurement and reporting can be utilized for performance reviews, incentive plans and service recovery efforts.

3. **The service reminder;** another way to build rapport with a customer, plus add a customer touch point and a brand impression. There are various direct mail and e-mail systems on the market. Some newer systems also offer the choice of an automatic, yet personalized, phone call.

4. **Special offers and co-branding.** Offers for service specials or incentives such as discounts on a carwash can be a good incentive for customers to return to your business. Also, offers for half off for a first-time car can introduce a family's second or third car into your normal rotation. Get creative!

5. **Announcements and messages.** Adding a new location? Change of address? New service? Even a holiday or birthday wish. (I am still somewhat surprised to get a birthday card from Southwest Airlines every year — but I am also a pretty loyal customer of Southwest Airlines. Think they understand the connection?)

6. **Lost-customer surveys.** There are also customers that, for whatever reason, have not returned for a period of time. It is a good idea to periodically ask these customers why. Sure, some of them have moved or

Keys to Creating Lifetime Customers

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got a new car that is under warranty — but we also know there are plenty of them that left due to something we did or did not do. We need to learn from these former customers — and maybe even convert some back to current customers.

Many times, companies can be very strong in branding within a marketplace — for example, with a local team or community sponsorship — yet fail to develop specific calls to action that drive business to your facility door.

“Design a message or a communication to the customer that is triggered automatically that has a specific and measurable ROI,” said David Merrell, vice president of CSi Communicator. “Our service is designed to be utilized as a piece of a comprehensive marketing program, and to transition customers from that transactional mindset to the relational.”

Of course, there is hard ROI and soft ROI that can be realized from these types of programs. Soft ROI would be improvements in processes and efficiencies due to customer feedback; implementations of customer recovery

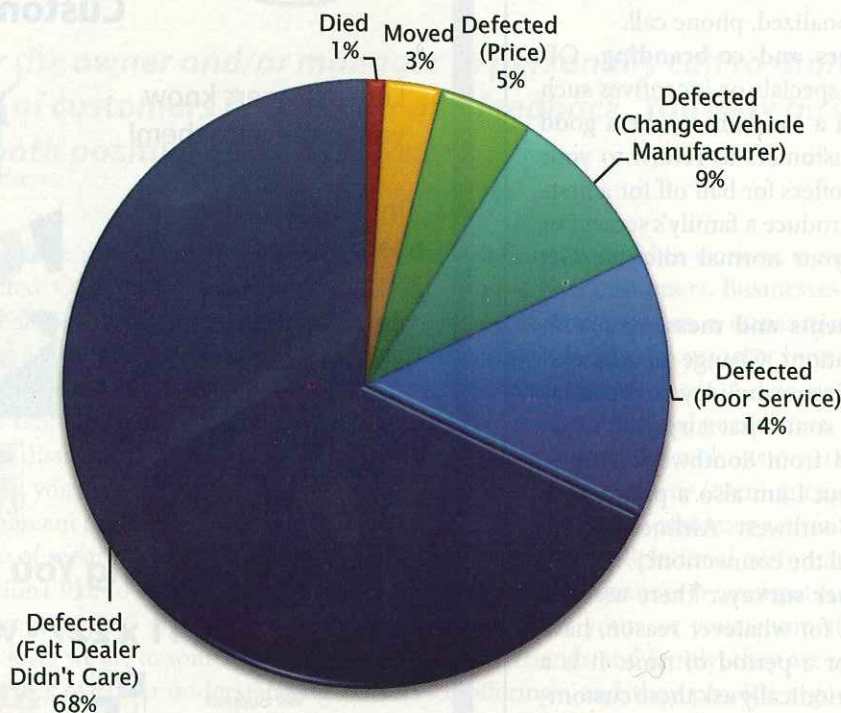
efforts; the designing of a bonus or review program based on customer satisfaction results. Hard ROI includes measuring the effectiveness of a particular marketing message or figuring out the lifetime value of a customer (LVC) and relating that to customer retention efforts.

There are various LVC formulas, but in general you will want to know the frequency of purchase and the average profit per unit sold. Most models do not extend beyond five to seven years because they are deemed unreliable after that point. Remember, a 5 percent increase in customer retention translates into a 25 to 100 percent increase in profits.

“Each business is different,” said Merrell. “Companies that specialize in this type of service should be happy to help you and consult with you without obligation. Potential customers are often surprised at the minimal cost per customer contact.”

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Where Did the Customers Go? A Car Dealership Example



Source: Survey by Chris Denove and James Power