

A common concern for business is how to bring in new customers. We are trained to believe that increased revenue is dependent on our ability to constantly draw in more clients. This may have been true in prior economic environments but, today, it is not the only focus for sales growth.

Many businesses have begun to see the greater importance of maintaining their current customer base—especially in a contracting economy. But don't fall victim to the notion of once a customer, always a customer. Just because a customer used your service or bought your product once, doesn't mean that they will continue to do so in the future.

It's important to understand the business logic of executing client retention sales and marketing activities. Key concepts underlying client retention marketing programs include:

## **LIFETIME VALUE OF THE CUSTOMER**

In the past, a transaction model was used to analyze customer purchases. For example: What is the revenue and profit effect of this purchase? The new model calls for viewing customers—both actual and potential—on the basis of their expected purchases over the course of the expected “lifetime” of your relationship. Taking this long-term perspective can provide justification for marketing expense dedicated to client retention activities.

## **SHARE OF CUSTOMER**

In the context of a long-term relationship with a customer, client retention marketing seeks to maximize the share of the customer's category spending over a lifetime of purchases. Your business might set an overall goal of capturing a 75% share-of-customer. That means that current customers would choose your firm as their vendor 75% of the time, for as long as they continue to buy your industry's product or service.

# **NINE CLIENT RETENTION STRATEGIES TO PROTECT SALES**

## **“COST-TO-RETAIN”**

### **VERSUS “COST-TO-ACQUIRE”**

Depending on whose estimate you choose to accept, it is 4 to 15 times more expensive to acquire a new customer than to retain an existing customer. Client retention marketing leverages this disparity by focusing on customer-retention and increasing the likelihood that customers will continue to buy from you.

## **THE 80-20 RULE**

In general, the 80-20 rule asserts that 80% of any given effect is likely to be caused by a mere 20% of the relevant variables. In marketing terms, 80-20 says that 80% of a company's revenues are likely to be generated by 20% of its customers. Client retention marketing allows marketers to identify those top customers and provide them with recognition and benefits commensurate with their revenue contribution.

## HERE ARE 9 STRATEGIC ACTIONS RECOMMENDED TO ACHIEVE A STRONG RETURN ON INVESTMENT FOR CLIENT RETENTION ACTIVITIES.

- 1. Identify the needs of your existing customers.** Where is their pain? How can you help?
- 2. Develop an action plan that focuses on customer retention.** This could include a newsletter, monthly email program, appreciation gifts, personal notecards, tip or trend sheets, etc.
- 3. Use a customer relationship management system**—even one you devise yourself—to help you regularly stay in touch with your customers and achieve Top Of Mind Awareness (TOMA). Good intentions can quickly be forgotten when other business matters become pressing.
- 4. Reach back to clients and customers you have not done business with recently.** Contact them to see how they are doing, update them about you and your business, and simply to let them know they are on your mind.
- 5. Show appreciation to your customers** via thank you notes, special gifts, and other means of thanking them for continuing to do business with you.
- 6. Commit to continuing to gain new knowledge, skills, and experiences** that will benefit your customers. The more your business has to offer, the more valuable you are to customers.
- 7. Seek feedback and suggestions from your customers.** By asking what they think, you are demonstrating that you value their opinions and ideas.
- 8. Be a resource for your clients and customers.** Share ideas, information and contacts that will provide value to them.
- 9. Always follow through on the commitments you make to your clients and customers.** You will earn their loyalty and trust by doing what you say you will do.

Ideally, your client retention program should begin with the first engagement, building a foundation for future retention marketing activities. Establishing regular communication via newsletters, email, mailings, etc. will foster continued awareness of your goods and services to induce ongoing purchases.

The result of your efforts should succeed in protecting a significant portion of your company's loyal customer base and, quite possibly, secure a greater share of your customer's budget.

### **What are you doing to build a committed relationship with your current clients?**

Contact Fuse Graphics today to build your client retention strategy at 770.499.7777.