

Warne's Marketing

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How to Choose and Keep Customers

Distinguishing three categories of customers can help you concentrate efforts on your most profitable, loyal customers.

“IT IS SAID THAT IT TAKES SIX months to win a new customer and six seconds to lose one.”⁽¹⁾

“Getting sales is a costly exercise, but losing customers is even more expensive. The percentage of a company’s turnover spent on sales and promotion budgets can range anywhere from 2% to 40% depending on the type of product or service the company is selling.”⁽¹⁾

“There is no question that increasing customer retention is ‘the foundation for profitability and sustainability’. Indeed, a five percent increase in customer retention will change the profitability of a business by at least 25 percent.”⁽²⁾

Three Categories

By dividing your customers into three categories “it is easier to distinguish which customers you should concentrate on and which ones you should waste no further time with.”⁽¹⁾

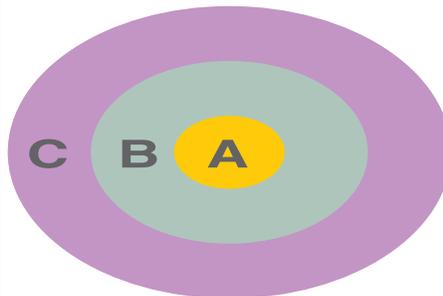
The three main categories (as shown in the illustration) are:

C. Customers who will buy from anyone. They are not loyal and are always looking for the best price and delivery. (Fortunately many companies have found that it is less costly to decide on two or three acceptable suppliers rather than having purchasing get quotes from everyone in the field.)

B. “These customers will use two or three companies and will choose to buy from the one that offers the

quickest, most efficient and friendly service. They are more loyal (than “C” category customers) and will usually use the same companies to buy from.”⁽¹⁾

A. “This is your core customer” The one to attract and keep. “A” customers represent the 20% of your customers who provide 80% of your revenues. “This loyal customer will stick to one company to buy from as



long as they treat him professionally and provide a reasonably quick, efficient and personal service.”⁽¹⁾ “The personal service” is what they like. This entails the company knowing the customer’s name, company, and purchasing history. This loyal customer “feels comfortable and at home dealing with your company and is slow to change.”

An interactive database is essential to providing sales with quick access to customer relationships. To be fully effective it must be personal, focusing on the key individuals involved on the

customer side as well as the customer company.

How to Choose a Customer

“We really don’t (choose customers) – they choose us. However, we can choose whether we wish to keep them or not”⁽¹⁾ or the level and type of service we wish to provide to them.

Decide on “the profile of the customer you wish to attract and hold. This will save time and money in unproductive and fruitless sales approaches.”⁽¹⁾

“Companies like to choose customers who pay their bills quickly and on time. Customers who are dilatory in payment of their bills can be frustrating and expensive in terms of trying to collect their account and in the loss of time waiting to receive payment. This is one of the main reasons why companies choose not to do business with certain customers.”⁽¹⁾

Discounts for prompt payment normally generate response from customers who pay their bills regularly. Carrying charges or interest payment should be levied against the slow payers, even though you can’t always collect extra charges.

Keeping Customers

“There is no substitute for keeping in touch.” To “have your customer deal with you more often. To encourage your customer to buy more from you.”⁽¹⁾ This may be a simple philosophy, but it works.

Jim Holden in "World Class Selling" identifies the causes of losing a customer as:

1. The customer dies 1%
2. The customer moves 3%
3. A friend of the customer emerges as a competitor 5%
4. The competition converts the customer to become their supporter 9%
5. The customer becomes dissatisfied 14%
6. The customer believes that the supplier company doesn't care 68%

Taking points 5 and 6 together you find that 82% of customer loss comes down to you and not some unsurmountable problem.

"Most of the practitioners and writers on the subject of winning and keeping customers have some succinct advice:

- Listen to your customers
- Help your customers
- Reward your customers
- Advise your customers
- Be a partner to your customers
- Just think of how you feel when you are a customer (especially if you get poor and indifferent service)."⁽¹⁾

Keeping in Touch

"The key is the value of the contact. The customer is more concerned with the content of the contact than the method."⁽²⁾

"The new sales paradigm embraces... leveraging the high cost of personal sales contact with other, lower cost, contact methods to provide the highest value to the customer and the most cost effective approach to selling. It involves an integrated plan of communication contacts of value."⁽²⁾

Keeping in touch can be enhanced by phone, e-mail, direct mail, newsletters and fax between personal sales calls. The key is personal service

through contacts of value. Let your customers know about new products and services, changes to personnel and policies (especially credit and payment). E-mail can be extended to "B" customers to keep them in the loop and to help upgrade them to "A" whenever feasible. Although "C" customers will generally come to you for quotes, they should know about those significant new products or services that might affect their purchasing practices.

Rewarding Your Customers

Personal help to customers is an essential part of selling engineered products. Helping them solve problems is the reward.

In consumer products, Estée Lauder built a worldwide business by always giving you another product when you bought one of her cosmetics.

Loyalty cards, discount cards, money-off coupons, quizzes and competitions are established retail rewards.

However, in most business-to-business selling, personal service and help is the key. "Your customers should always enjoy – and value – doing business with you and this should be one of your main objectives."⁽¹⁾

With a full spectrum of corporate, marketing and communications services, Warne can help you choose and retain the right customers. To discuss your needs call our President, Scott Warne.

Sources:

⁽¹⁾ J. Brendan O'Reilly, Chief Executive, Sales Placement Ltd.
Fellow of The Marketing Institute of Ireland,
Fellow of The Chartered Institute of Marketing (UK)

⁽²⁾ Victor L. Hunter, President, Hunter Business Direct Inc., Milwaukee, WI as quoted in Warne's Marketing No.1 1998, "The New Sales Paradigm" on www.warne.com



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