



LESSON 10: Business Performance

Developing Radically Loyal Customers

When you think about it for a moment, customer retention seems like a low standard to strive toward. Most of us desire to grow our businesses, so why would we want to focus our attention primarily on simply retaining customers?

Wouldn't a better approach be to develop radically loyal customers—with customer retention becoming a by-product of that overarching strategy? That said, it remains critical to realize how important retaining your existing customers can be. A dated, but widely touted, Bain and Company study revealed that increasing your customer retention rate by 5% can drop 25% to 95% more to your bottom-line profit.

It's widely believed that it costs 5 to 16 times more money to acquire a new customer than it does to retain an existing one. Retaining customers is obviously a worthwhile effort, but what if you could prod them to be radically loyal?

A RADICAL CUSTOMER EXPERIENCE

Rick was raised to believe that doing business with a new car dealership was a waste of money. Believing that their cars and service were typically overpriced, and they were transactional oriented, he reasoned that feeling valued as a customer seemed unlikely.

Despite this belief system, he found a used car online that was being sold by a local dealership. An attractive price caused him to stop by and look, thus beginning a customer experience unlike any he had ever known.

Due to a model year change, Rick ended up purchasing a brand-new car for less than the blue book on the used car he originally went to see. Not only did Rick get the full warranty, but this dealership also gave him free oil changes and maintenance for the first two years.

The first time Rick went to get his car serviced he thought he was in a dream. The service department was spotless with friendly and helpful customer service reps. They promised to have his car completed within the hour and led him to a refreshment area with complimentary food and drinks while he waited. They also kindly offered a shuttle to take him anywhere he needed to go.

The result was that they finished the car in 45 minutes and returned directly from their car wash. There was no upselling, no hassle, just great service at no cost. They assigned Jesse to Rick's account, and the next morning he called to assure Rick's satisfaction with the previous day's service. Anytime service was needed, all Rick had to do was call Jesse, and it was handled.

Even though the dealership was not conveniently located, it became routine to use them for all future maintenance because of the free service and complimentary shuttle to any place Rick needed to go. While waiting on service one day, he decided to walk over to the sales side to see if they had any used cars appropriate for his daughter.

Over the course of the next 18 months, he and his family members bought a total of three cars from this dealership, with each one serviced there regularly. This dealership had made a radically loyal and profitable customer out of Rick and his family.

What can we learn from this experience? Here are some of the ways this dealership made Rick's customer experience far better than he ever imagined.

- **They exceeded his expectations** ■ Rick went in to buy a used car. He left with a new car at a cheaper price.
- **They kept their promises** ■ Rick was told his car would be returned from service in one hour. They were done in 45 minutes.
- **They turned a transaction into a relationship with their brand and their people** ■ By assigning a service representative to Rick, they began a personal connection that tethered Rick to their brand.
- **They listened** ■ This dealership always has someone call after any transaction to ask about the service and to solicit any feedback.
- **They eliminated barriers** ■ Rather than holding on to his opinion that car dealership service departments were too costly, this dealership not only changed his opinion but moved him to become a regular and loyal customer.

DISCUSSION QUESTIONS

1. In your business or industry how important is customer retention?

2. How would you describe the extent of your efforts to retain customers versus the energy you spend to develop new customers?

3. Some people enjoy the hunt for new business much more than maintaining existing customer relationships. How do you feel about each and what are some ways you can shore up any shortcomings that may leave the customer feeling shortchanged?

4. Out of the 5 attributes Rick experienced with the car dealership, which of those do you believe are your weakest link? What steps can you take this month to improve in that area? Are there systems you could design to assure your customer's needs are met?

CHERISHING YOUR CUSTOMERS

Over time, many businesses take their customers for granted. They begin to view them as transactions rather than people to be cherished and appreciated. This is a recipe for customer defection. While you may have a product that the customer badly needs and can only be sourced through you, eventually the customer will find a new marketplace entrant and/or competitor that meets their product needs *and* offers excellent customer service.

Here are some steps you can take to assure that your customers feel cherished:

Step 1: Know Your Customers

To best meet the needs of your customers, you must first understand and know them. Technology has raised the bar on this challenge. With big data, many large businesses know and understand their customers much better than small businesses often do. This has led to a trend of “personalization.” This personalization has conditioned customers to expect their online experience to be customized to their personal demands and interests. Many larger companies capture enough information about their customers and their buying habits to meet these expectations.

Smaller businesses may be at a disadvantage, but they still can gain enough knowledge about their customers with a little effort to build radically loyal customers. One method to better know your customers is to begin building profiles.

A profile is a compilation of demographic, psychographic, and sociographic information on a typical type of customer. Let's look at an example.

Andy owns a chain of assisted living facilities. He wants to assure that his customers get the best experience possible, so he decided to build some customer profiles. He reviewed the different types of people that typically became customers and compiled information on the different segments of people. Then they developed a picture and a name for each profile.

One of these profiles they named Roaming Ronnie. Ronnie was an outgoing man in his mid-70's who loved playing any type of card game, visiting his lady friends, and watching sports with his guy friends. Andy made up a playing card with a sample picture of Ronnie and information on the card, such as his age range, his social interests, his typical wants/needs and physical challenges.

They would use these cards to train employees on how to best serve Ronnie and his unique needs. This enabled the staff to better consider their response to the needs of their customers. By building profiles on your key customers it helps you and your staff to pause long enough to better understand the differences there are in different segments of customers. This process can also be helpful in developing new products and services to better meet the needs of your customers.

Step 2: Listen to Your Customers

Your customers are more loyal when they believe you care. One of the most effective methods to show you care is to listen to them. Try seeking their input from customer surveys. You can also develop a regular system of calling customers. Ask them a few simple questions that allow them to share their concerns or needs.

Part of effective listening is to take seriously their concerns and respond accordingly. That doesn't mean every idea is implemented. Instead, it means you respect their views enough to realize that if one person told you something, it likely means there are many others who feel the same way. When possible follow up with the customer later to inform them of any changes you made to your business due to their recommendations.

Step 3: Rebound Well

All businesses will occasionally fall short of their customer's expectations. We will make mistakes. Often your most loyal customers come from how well you rebound. When you or your team make a mistake—own it. Nothing frustrates customers more than someone not admitting they were wrong. Admit your mistakes, ask for forgiveness, and make it right.

A biblical concept that is often overlooked in business is “restitution.” If you have wronged a customer, it usually costs them more than the price of your product or service. They typically experience emotional anguish from being wronged as well as additional financial cost due to lost time and money. The Bible recommends paying an additional “penalty” to the wronged party to truly make it right. This penalty helps provide an opportunity to bring healing to the wronged party while allowing the one who made the mistake, an opportunity to know they did all they could to make it right.

DISCUSSION QUESTIONS

1. Do you have a story to share with the group of how your business rebounded well, resulting in a more loyal customer? What did you learn from that experience that can be helpful in the future?

2. Brainstorm as a group, ideas that you have used or have seen be effective in other businesses, to build loyal customers. Which of these ideas might you apply to your processes and systems?

3. How do you feel about you and/or your team's ability to build loyal customers and retain existing ones? What could you do to improve your chances of building radically loyal customers?

4. Write down one or two ideas from today's lesson you will implement this month to better build customer loyalty and share it with the group so that they can ask you about it next month.
