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New Customers are Important, but Don't Take the Old Ones for Granted

You've heard the old adage, "A bird in the hand is worth two in the bush." This couldn't be truer than in the area of customer acquisition and retention. Yet many companies spend far more time, money and energy to woo new customers than they do to keep the ones they already have. New customers are important, no doubt. But too many businesses take their current customers for granted. The first order of business for any company should be current customer satisfaction and retention. Here are just a few reasons why.

Dollars and sense. Various studies have suggested that it costs seven to ten times more to get a new customer than to keep an existing one. When you think about how much it costs to advertise and operate a sales force, it's no wonder. Keeping existing customers does require effort and resources, but these should be more integrated into the production and delivery of the product or service, which can be reflected in pricing. From the standpoint of return on investment, it makes sense to focus on customer retention. If you lose a \$10,000 customer and market or sell to gain another \$10,000 customer in its place, you've lost money.

Leverage and trust. The first sale to a new customer is the most difficult and the most costly. After you've gained enough trust to get an order, the next sale is easier to make because the customer feels more comfortable with you. Once that trust is gained and reinforced, it can be leveraged into a deeper, more lucrative relationship. Of course, the customer also must receive significant, ongoing benefits. If it's a one-sided equation, trust will erode quickly. As long as you're delivering appropriate quality and service, it's in the customer's best interest to leverage the relationship with you as well.

Pricing and value. Customers who buy based on price are rarely loyal. By definition, price-buyers will move when they find a lower price. They don't pay attention to the value equation. If you're not trying to be the low-price leader, your satisfied customers will stay because you provide value. This value-added price can enable you to continually price at better margins, increasing your bottom line. By the same token, if customers don't perceive continuing value, they may become price shoppers. Make sure your price in the eyes of your customers is indicative of the value you provide.

Word of mouth. Satisfied customers can become your best sales force, reducing the amount of time and money it takes to acquire new customers. By the same token, dissatisfied customers can thwart your effort to acquire new business. People talk. Give your customers reasons to rave about your products and services. They'll stay, and they'll bring more business with them.

Reward longtime customers. Some companies offer pricing incentives to "first time buyers" that they don't offer to those who have bought from them before. What does that say to loyal existing customers? Businesses should offer rewards to current and longtime customers. A "frequent flier" type system can be effective. Customer appreciation days also can be beneficial. Send a special invitation to your best customers to attend a seminar, performance or event as a reward for their patronage.

Your customers are one of your greatest, most valuable assets. Protect them, nurture them, appreciate them and listen to them. Find out what you can do to be even more responsive to their needs. Keep the lines of communication open and invite their feedback. Respond to their suggestions and thank them every time you can for putting their trust in your company and its products and services.

Hang on to those loyal customers – they're like gold.

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. MKS&H's organizational consulting division, Tandem Partners, specializes in people strategies that drive business results. For more information on this article or MKS&H, please contact Margaret Wilson at 410-296-6200 or via email: margaret@mksh.com.

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