



Customer Loyalty: Five Ways To Make It Stronger

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It is a commonly accepted fact in the business community that it is less expensive and more profitable for businesses to retain the customers they already have than it is to try to go out and obtain new customers. Research also bears this out: A study conducted by Bain and Company concluded that it costs between six and seven times more to acquire a new customer than it does to keep an existing one.

Think about it for a minute: Acquiring new customers requires you to spend money on marketing, advertising and promotion; spend time in face-to-face meetings with prospects and travel (perhaps across the country) to meet with them; set up new accounts in your internal systems; and help new customers get acquainted with your systems and procedures. New customers also tend to be price-sensitive, so you may have to offer them discounts (at least temporarily), which can ding your profitability.

Now compare this to your activities and relationships with your existing customers: You don't have to spend much (or perhaps any) money marketing or advertising to them; they don't have to be set up in your systems or trained in how your processes and procedures work; and if they're satisfied, they're not likely to haggle with you over pricing. They may also buy more products and services from you and recommend your business to their friends and acquaintances.

Balance Prospecting and Retention

Given all of this, you would think that most businesses would spend the bulk of their time, money and energy on strengthening relationships with their existing customers and building customer loyalty. In our experiences, though, this isn't necessarily the case. Many companies often take their existing customers for granted and spend an inordinate amount of resources going after new business.

We're not saying that prospecting for new customers isn't important — of course it is. However, prospecting efforts should be balanced out with efforts to strengthen existing customer relationships, build strong customer loyalty and boost customer retention rates. Consider the following three R's of customer loyalty:

- 1. Relationships** — Strive to build strong relationships with the right kinds of customers — those who appreciate quality and value, not fickle price-shoppers.
- 2. Retention** — Your goal is to retain these customers for the long term. Doing so is one of the best ways to increase your ongoing profitability.
- 3. Referrals** — If you accomplish these two objectives, there's a strong likelihood that your loyal, satisfied customers will refer other similar customers to your business.

So how exactly do you go about strengthening customer relationships and building strong customer loyalty? Here are five suggestions:

1. Go way above and beyond when it comes to customer service. How would your customers rate the level of service your business provides? Anything less than “Great!” is not good enough. It really doesn’t cost you much (if anything) to deliver outstanding customer service — just an investment in hiring people who are customer-centric and then training them to deliver the level of service you expect.

2. Implement unique customer loyalty programs. Lots of businesses implement customer loyalty programs like frequent buyer punch cards (or their electronic equivalent). These are fine, but brainstorm with your employees to try to think of some different and more creative ways you can reward loyal customers.

3. View customer complaints as opportunities. Most businesses view customer complaints as a negative — a problem they have to solve. Or worse, they ignore them or try to sweep them under the rug. Instead, look at complaints as an *opportunity* to increase customer loyalty by solving the customer’s problem quickly and efficiently and also giving them a little something extra, if possible.

4. Manage customer expectations. Simply put, you should strive to *under-promise* and *over-deliver*, instead of the opposite. Customers are usually understanding if you explain your limitations to them. Consider turnaround time, for example: If you know it will likely take 10 days to deliver a custom order, don’t promise delivery in a week. Instead, explain why it will require 10 days and commit to this delivery date. If you beat it, you’ve over-delivered — and the customer will be thrilled.

5. “Touch” your customers regularly and consistently. There are many different ways to stay in touch with customers nowadays. One of the best is to publish an e-newsletter. Be careful, though, that your newsletter isn’t just a thinly disguised advertisement. The content should consist of a strategic balance between value-added information that’s of use to your readers and positions you as an expert in your industry and soft sales pitches that let readers know you can help them in specific areas.

Concluding Thoughts

Many Los Angeles and Southern California business executives are missing out on a tremendous opportunity to grow their businesses and boost their profits by failing to focus on boosting customer loyalty and retention. Many studies have shown that it costs less to retain the customers you have than to try to acquire new customers. The key is to balance your prospecting and new business development efforts so that you’re spending time, money and effort on both in the right proportion. An outsourced CFO services provider can help you find the right balance for your company.

About CFO Edge

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