



## How to Retain Your Customers and Employees

by Ted Janusz

Department store magnate John Wanamaker once said, "Fifty percent of my advertising dollars are wasted. The problem is, I don't know which fifty percent."

But there is one form of advertising that ALWAYS works . . . word of mouth. In fact, 80 percent of consumer choices are based on personal recommendations.

The average person has a direct sphere of influence of 52 people, according Jay Conrad Levinson, author of **Guerilla Marketing**. If you doubt that, mentally imagine the number of people you have in your e-mail address book or the number of friends you have on Facebook. I'll bet the number is even greater than 52.

In addition, if you are an average American adult, you know 400 people – those you went to school with, work with or know socially. If you assume that each of those 400 people know 400 others (of course there would be some overlap, but let's keep it simple), you now have an immediate network of 160,000 people. And, if you assume that each of those 160,000 know 400 others, well, you are up to 1/3 of the American adult population.

And which are people more likely to spread, good news or bad news? Your average satisfied customer will tell 5 to 8 others. Your average dissatisfied customer (if you have any) will tell 10 to 16. In fact, one in five will tell 20 others how upset they are.

That's why personal recommendations are so powerful.

The motion picture industry knows this. In fact, when is movie advertised? After it has been out two or three months, in attempt to boost attendance?

No, we now see advertisements for movies months in advance. The motion picture studios are attempting to lure early adopters into the theaters. The kinds of people who go to watch everything. The kinds of people who have all of their friends ask them, "How was the flick?"

In fact, the first weekend now makes or breaks the film. Why? Using the power of social networking (which makes it so easy to reach their 400 connections),

these early adopters are using Twitter to tweet their friends on how good or bad the movie is *right from the theater!*

## **Why Businesses Lose Customers**

Bob Farrell, in his book **Give 'Em the Pickle**, says there are five reasons why businesses lose customers:

**1% Die.** This is irreversible and there is not much you can do about it. However, I had an attendee at one of my marketing seminars tell me that she worked for a nursing home and her numbers were quite different!

**3% Move Away.** Again, not really under your control.

**5% Follow A Friend or Relative's Advice and Switch to that Friend's Preferred Merchant.** This is the power of personal recommendations at work. Of course, why are they not getting *their* friend or relative to switch to *your* product or service?

**9% Find a Better Product or Service on Their Own.** But maybe you haven't educated them that *you* actually have the better offering.

**14% Leave Because of a Product or Service Dissatisfaction.** In other words, somebody ticked them off.

Maybe someone in the organization said, "That's our policy. I can't help you." Yet what this person may have failed to realize is that it is five to six times more expensive to get a new customer than to keep an existing one satisfied.

To prove this point, calculate the lifetime value of your average customer.

Mark Cuban of the Dallas Mavericks NBA basketball team conducted this exercise to determine the lifetime value of a season ticket holder.

According to Ben McConnell and Jackie Huba in **Creating Customer Evangelists**, by the time Cuban figured in the value of the tickets, parking, merchandise, concessions and bringing friends and family to the games, the lifetime value of a single season ticket holder is well over \$300,000!

If it takes bending the rules and spending an extra \$50 to keep a season ticket holder happy, *so what?*

**68% Depart Because of Indifference.** In the vast majority of cases, customers take off because they feel unappreciated or taken for granted. We ignore our customers to death, so they go away.

We've all experienced this. You've gone to a dry cleaner whose first words out of their mouth to greet you is, "*Lastname?*"

You walk in next week and the first thing they say is: "*Lastname?*"

The following week, it's the same salutation. So you go someplace else. As the theme song for the television sitcom *Cheers* told us, we want to go where everybody knows our name.

## **How to Retain Customers**

It's much easier to sell more products and services to those who already know and love you than to get new customers.

So here are three things you can do:

**1) Send virtual coupons.** At a marketing conference I was conducting, an attendee told me that he received an e-mail from the CEO of a software manufacturer. It read: "I hope you are enjoying your recent purchase of one of our products. If so, please send along the attached coupon to your family and friends."

The attendee's response: "How ingenious! And how little that cost the company!"

**2) Mail loyalty checks.** Another participant, who is a proprietor of an automobile repair shop, told me that he mailed checks to his loyal customers to be applied to the cost of future repair work. He told me, "We got so busy, I told my wife to suspend all other advertising!"

**3) Host advisory councils.** Invite your best customers to a luncheon once a quarter to solicit their opinions on your new products, services or marketing campaigns. (Everybody loves to give their advice!) Make them feel special. You'll be amazed at how these "advisors," now that they feel they are part of your "family," begin to promote your business to others they know as ambassadors on your behalf.

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