



CUSTOMER RETENTION TRADE SECRETS.

Fact # 1: 80% of a company's revenue comes from 20% of its customers.

The 80-20 rule which is also known as the Pareto principle has been the rule of thumb in business since time immemorial. As most companies get 80% of their sales from 20% of their clients, one must agree that the two most important goals in customer retention is to:

1. Develop a retention program to retain customers belonging in the 20% category and,
2. Improve the relationship, purchasing frequency and volume of the 80% category.

With such a small percentage of the total customers providing the bulk of the revenue, losing a single client from that crucial 20% will have a great impact on profit. Because of this the number of companies prioritizing customer retention is rapidly growing. Establishing “customer loyalty” is not easily accomplished if you consider fact # 2.

Fact # 2: On average, a company experiences a 25% customer attrition rate per year.

Every year, there is a high possibility that 1/4 of your clients will leave you. The top reasons why customers abandon a product or service are the following:

1. No longer buying the category of your product / service
2. Unhappy with the price of the product / service
3. Not satisfied with the product / service
4. Unhappy with how they are being treated

Measuring the satisfaction of your customers based on these 4 factors is crucial in maintaining a long and profitable relationship between you and your customers. And the importance of taking care of your clients is doubled when you include fact # 3 in the equation.

Fact # 3: It costs 6-7 times more to acquire a new customer than to keep an existing one.

For every dollar you spend in making an existing customer happy, you need to spend \$6 more in order to get a new customer. The big difference in the cost of “customer acquisition” versus “retention” adds more pressure to companies to increase their spending on “customer retention” programs. This investment is worth every penny when you take into account fact # 4.

Fact # 4: A 5% decrease in customer attrition equates to a 125% increase in profit.

By successfully increasing customer retention rate by just 5%, you can expect a 125% increase in your profit. This exceptionally high ROI explains why most companies that are considered industry leaders continually spend more on programs that lowers customer attrition.

Given these four important facts, one can easily deduce that customer retention is indeed an important factor to focus on to grow the profitability of the business. But the question that remains is what can you do to increase your customer retention rate? The answer is to make your existing customers happy.



Here are three strategies that will increase your retention rate and buying frequency of your current clients:

1. Focus more resources on your existing clients

These existing customers are already doing business with you. Investing in them is more likely to payoff than spending your resources in acquiring new clients. Thus, it is logical to spend more resources on this group since they present a higher ROI.

Investing more time, effort, and resources on your existing clients will also give your business a “market sanctuary”, or a group of loyal customers that can provide regular sales that can help sustain your company in rough times.

2. Maintain communication with your top clients

A phone call or a short email every now and then will go a long way in strengthening your existing relationship with your top clients. These simple gestures will remind your customers that you value them, and they are not just mere numbers across your financial statement.

It is also important to note that communication is a two-way street. It is essential to listen to your customers because it is never about you, it is always about them.

Listening doesn't just mean hearing your customers' concerns, but actually doing something about them. This doesn't mean that you have to grant all of your clients' wishes no matter how absurd they are. Saying "no" to a request and explaining the reason why it is not possible, if done correctly, is an action that can demonstrate your honesty to your customers.

What you want is to be prioritized by your clients, and the best way to achieve this is to show that you are prioritizing them as well. And this can be accomplished by maintaining a regular and open communication channel between you and your top customers.

3. Give them gifts to acknowledge their worth to you and your business

The importance of your clients to you and your business is something that can't be stressed enough. The survival of your business is greatly dependent on your clients' support, thus, it is only natural to give them something in return as a sign of your appreciation. By providing your customers corporate gifts such as promotional apparels, mugs, pens, or other promotional giveaways, you are showing your clients sincere appreciation by giving them a personalized item exclusive for them.

There are two major positive effects in distributing promotional gifts to your clients:

First...Receiving an exclusive business gift increases brand recall and loyalty amongst your clients. This, in turn, will increase the order size and order frequency of your customers, resulting in the growth of your business revenue.

Second...The corporate gifts that you would distribute would of course include your brand or corporate logo. By effectively homing your promotional item strategy to your valued clients, you are most likely to distribute a business gift that they will find useful. A useful promotional product would, of course, entail frequent usage from your recipients giving your imprinted logo on the merchandise great exposure to not only your valued customers but also to their peers who are also most likely part of the market niche you are targeting.

One important question that you should address during a promotional item strategy is how much would you spend for the giveaway? The rule of thumb is to spend between \$1 to \$5 on corporate gift per person. This so-called general rule is a good starting point for your costing, but you are the best judge in deciding how much to spend since you know your clients well.

The cost for your chosen promotional product should depend on how much you value the client. For example, if a certain group of your customers order thousand of dollars worth of your products regularly, then it is safe to say that these clients deserve a prestige promotional gift such as an engraved Waterman pen rather than the \$3 mug that you would distribute to your other customers. It is also important to know which promotional gift is best accepted by the niche you are targeting.

If you want to play it safe, you can always distribute the top company gifts based on studies conducted by the Promotional Products Association International (PPAI). The most warmly received giveaways are the following:

1. Promotional Apparels
2. Promotional Pens and Writing Instruments
3. Promotional Desk / Office / Business Accessories
4. Promotional Bags
5. Recognition Awards

But if your market is more of the free-spirited type such as the youth segment, then it will be more effective to utilize the "fun" logo merchandise such as the promotional toy and games and other promotional items that fit this age group, like sports and outdoor products.

In the end, customer retention is about showing your clients what they mean to you . The merchandise to choose from numbers in the thousands. But again, the bottom line is to choose the corporate gift that compliments your market niche. Because the more the customers find your business gift useful and valuable, the more effective your strategy will be in advertising and reinforcing your brand and logo.

PROMOTIONAL Ideas And Case Studies

To view additional ideas, branded promotional products, sports apparel and marketing materials please visit us at www.fcmmktg.com. Thank you.