Turn Ghosts Into Visible Customers

Two associates dine at a small Italian restaurant located on a heavily trafficked pedestrian mall. They pay cash for their meal at the cashier counter and like many establishments, are asked, 'How was everything?" The response provided is also typical, "Fine." Exiting, the associates walk out into the busy crowd of passer-bys on the mall.

A woman shops for a birthday gift at a locally owned clothing store. After browsing a while, she finds a great jacket for her sister and proceeds to the checkout counter. "Thank you. Have a nice day," the salesclerk says smiling, handing the package to the customer. The woman leaves the store and peruses others on her way to meet a friend.

The transactions described above are common and expected by both customers and businesses. Everyday, businesses market and sell to customers they don't know—little is known about them, including their names, occupations, likes and dislikes or the frequency of their purchases—which makes it difficult to "remarket" to them.

In some ways, customers are **invisible** and unidentifiable. They are "visible" to the naked eye and become invisible when a business doesn't know or use their names, markets products or services that don't align with their values or past purchases, treats them like everyone else or doesn't show appreciation for their patronage.

Have you ever felt invisible by entities you do business with? Does your insurance agent call you to answer any questions you may have and ensure you have adequate coverage for your car or home? Does your mechanic look over past work records before performing repairs on your vehicle and help you prioritize other maintenance needs? Does your favorite bookstore send you a thank you note after you've purchased $100 or send information about other books based on your prior purchases? If not, you may be an invisible customer to them.

Satisfaction vs. Loyalty

Somehow, organizations confuse customer satisfaction with loyalty. The term "organizations" is used because it applies to all business entities, including corporations of all sizes, owner-operated small businesses or solo entrepreneurs like lawyers and consultants, non-profit entities and member-based associations. For many organizations, if customers don't complain, then it's assumed they're satisfied with the products and services offered. If polled about satisfaction with quality, customer service, products, or other aspects of the organization, most entities are pleased with and boast about their customer "satisfaction rate."

The reality is that customer satisfaction does not guarantee repeat business or referrals. Jeffrey Gitomer in his book, *Customer Satisfaction is Worthless—Customer Loyalty is Priceless* states that satisfaction is merely meeting customers' minimum expectations. Gitomer points out that "satisfied" customers leave every day while loyal ones not only keep coming back, they tell and bring others.

Most organizations spend eighty percent of their marketing initiatives on getting new customers and very little on keeping them. Studies conducted on the cost of lost customers indicate that replacement costs are as high as five times more than recruitment. Other experts explain the Lifetime Value of a Customer, using an equation to determine the customer's worth, including potential referrals. Seems like organizations should focus the majority of their resources on customer retention.

Loyal customers are considered one's best customers. They remain loyal over a long period of time and don't easily switch to competitors. Besides being frequent or consistent users of an organization's products and or services, they enroll new customers without being asked and become what Guy Kawasaki refers to as "evangelists." Some organizations experience fifty to seventy percent of "new business" as a result of loyal customers.

What Elements Breed Customer Loyalty?

How do organizations develop loyalty? Successful ones create, implement and maintain a customer-centered focus. Nordstrom was ahead of its time in recognizing the value of exceeding customer expectations. Over the last thirty years, the service-based business has become the dominant force in economic activity and consumer expectations continue to rise.

Joseph Pine and James Gilmore, authors of *The Experience Economy*, warned that increased competition may cause services to be seen as commodities and organizations need to make interactions with customers "memorable experiences." Every interaction creates an emotional deposit and over time, establishes a basis of loyalty to an organization and a market differentiation from its competitors.

Winning in the Experience Economy requires organizations to plan, act proactively and be consistent in all interactions with customers. Organizations must continue to earn loyalty and invest in understanding their customers' changing needs.

Implementing Loyalty Strategies

Instead of focusing all your resources on getting new customers this year, implement a plan to turn first-time customers into repeat customers, which in turn develop into loyal ones who bring referrals and new business. Follow these nine strategies below and watch your business grow!

1. **Allocate 50% of marketing budgets to retain customers** – Spend half of your marketing budget to retain customers. Use resources to cultivate repeat purchases, reward customers and stay in touch regularly.
2. **Develop a customer-centered culture** – Corporate culture is created by beliefs and behaviors. State the importance of exceeding internal and external customer expectations, provide training for all employees on managing customer relationships and reinforce positive behaviors as part of a performance management system.
3. **Collect Customer Intelligence** – Collect customer intelligence by using a database and/or CRM (Customer Relationship Management) software program. Enter baseline information (e.g., company name, key contacts, address), document comments, transactions and interactions with customers.
4. **Add value to every customer interaction** – Ensure every interaction is positive, provides perceived value, and reduces wasted time or non-value-added processes for customers. Interactions include phone calls, e-mails, faxes, meetings, special offers and all transactions. Monitor interactions at all levels of an organization, including sales, accounting, customer service and delivery.
5. **Analyze and respond to customer history and feedback** – Regularly review customer transactions and interactions. Use information to recognize and reward your best customers. Learn which customers may be "at risk" due to inactivity or who may have unresolved issues, which may result in losing them.
6. **Recognize and reward customers for ongoing business** – Thank customers for first time or repeat purchases and show appreciation for their business. Provide special rewards for your best customers through appreciation events or value-added services earned over time. A simple handwritten thank-you note can go a long way.
7. **Ask loyalty-based questions to solicit feedback** – Ask questions that begin with "how," "what" or "why" to provide valuable information. Examples include, "How did you hear about us? or What did you like best about staying in our bed & breakfast?" or Why do you like doing business with us?"
8. **Stay in touch with customers** – Develop a plan to "touch" customers quarterly or monthly. "Touch points" may be calls, e-mails, newsletters, offers, surveys, etc. Two-way interactions provide more feedback than one-way types. If you're invisible, your customers will be, too.

9. **Thank customers over and over again** – Thank customers at the time of sale and show appreciation after the transaction is completed. Remember the words of Marshall Fields, "*People remember those who remember them.*"

Developing customer loyalty is hard work, and then again, so is attracting new customers. By creating a customer loyalty plan, your organization will gain a competitive advantage in the market.

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