

[Home](#) > [Library](#) > [Best Practices](#) > [Customer Retention](#) > [View Article](#)

Customer Retention

 [E-mail This Article](#)

The New Era of Customer Retention

- [What Kind of Company Do *You* Run?](#)
- [The Customer, the Company and the CEO](#)
- [Customer Profiles](#)
- [Additional Resources](#)

What Kind of Company Do *You* Run?

Every business, large and small, depends on customers for its livelihood. Surprisingly, a great many businesses fail to honor this common-sense principle. Many CEOs and business owners don't grasp the basic fact that virtually all business processes -- from accounting to the assembly line, from personnel to information technology -- affect the quality of customer service. Far too often, companies overlook the fundamentals and end up sacrificing the customers they need in order to thrive in today's marketplace.

According to TEC customer retention experts [JoAnna Brandi](#), [Howard Hyden](#) and [Chuck Reaves](#), excellence in customer service is the single most important element in determining your company's future success or failure. Regardless of the product or service your organization provides, you are in the business of *servicing customers*.

Let's start by identifying different types of supposedly "customer-friendly" companies. Which of the following best describes the policies of your organization?

- Company A views employee training in the area of customer service as an unnecessary expense (when in fact it's an investment in the future). Training takes place sporadically, usually by unqualified managers.
- Company B strives intermittently to project an image of being service-oriented and customer-friendly. When convenient, it offers some customer awareness training, but sets it aside when another new business trend comes along.
- Company C knows that providing quality customer service generates sales opportunities. It regards customer service as a "value-added" component -- something special they can offer to their customers.
- Even with a long track record of providing top-notch customer service, Company D continually seeks new ways to do even better. It has established high standards, achievable goals and effective communication between management and employees - all dedicated to enhancing customer service.

"The only way Company A can stay in business is by attracting a high percentage of first-time customers," says JoAnna Brandi. "In the long run, its lack of customer focus will result in minimal growth, declining profits and a loss of market share. The outlook is bleak at best."

"Company B's prospects are somewhat better," notes Howard Hyden, "but its halfhearted commitment to customer service doesn't bode well. It's not doing the right things to generate customer loyalty and seems to put little value in long-term customer retention. This is a business that just doesn't get it."

"Company C has the right idea, but mistakenly believes that 'good' is good enough," says Chuck Reaves. "It's not. The consumer of the 21st century is more educated and more demanding than ever before. Combined with an ever more competitive marketplace, this makes delivery of superior service absolutely essential."

In the experts' view, nearly everything Company D does is based on meeting customers' needs now and in the future. Senior management is fanatical about working with employees to create a superior buying experience -- so that customers come back again and again, bringing others with them. Customer-focused training for managers and front-line staff is an ongoing process.

[\[top\]](#)

The Customer, the Company and the CEO

Serving customer needs doesn't begin and end with front-line staff. In fact, says Brandi, the vision and focus must originate at the top.

"Vision and values drive everything in the organization," she says. "It's up to the leader to create an atmosphere where employees are motivated to provide superior customer care. Employee pride, confidence and self-esteem are directly linked to customer satisfaction, and the true leader sees that connection."

Hyden pinpoints three essential principles that the CEO must transmit to all employees in his/her organization:

1. Every function of the company must look at the business through the eyes of the customer.
2. Each person in the company must add value on top of the product.
3. The customer, not the company, determines value.

"The bureaucracy inherent in many organizations serves to frustrate the goal of customer service," Reaves says. "Processes are fragmented and compartmentalized. As a result, valuable information about customers seldom reaches deep enough into the business to generate meaningful change."

Because of this, many businesses adopt a "one-size-fits-all" approach to customer care, hoping this will somehow meet their customers' needs. This approach, say the TEC experts, simply doesn't work.

A more effective system integrates all of the company's operations with customer service as the primary goal -- identifying all activities that attract and retain customers in a coherent manner.

"The focus is on outcomes," says Hyden. "Business gets organized around the customer, not around sales, marketing or other internal functions. Feedback and measurements about customer satisfaction drive changes -- resulting in a business that stays flexible enough to respond to changes in customer preferences and desires."

[\[top\]](#)

Customer Profiles

According to Reaves, it's not enough to describe your customers as "satisfied" or "dissatisfied." He identifies six customer "types" and where they fit into the customer hierarchy. These include:

- **"Endorsers"** -- (5 percent of customer base) Endorsers are customers who tell other people about your company. Typically, the new customer comes in as an endorser, which you should capitalize on.
- **"Buyers"** -- (15 percent) A buyer will continue to buy from you, often exclusively, but no longer aggressively endorses your company. Maybe an invoice was incorrect or a shipment was incomplete. If one negative incident moves your customer from endorser to buyer, it may take 15 positive incidents to get him or her back as an endorser.
- **"Satisfied mutes"** -- (30 percent) These customers don't talk to you and you don't talk to them. If you ask one of them how the business is doing and they answer, "Fine," that's all you know.
- **"Dissatisfied mutes"** -- (30 percent) This customer has migrated from the ranks of satisfied mutes, but you don't know it. That's because no one is talking to anyone else. At this stage, it will take 60 positive incidents to make this person an "endorser" again.
- **"Grumblers"** -- (15 percent) You know these customers: no matter what happens, you can't do anything right for them. They've experienced too many negative incidents. In essence, they have become "martyrs."
- **"Complainers"** -- (5 percent) Though small in numbers, this type of customer can be deadly. They make a point of telling everyone how badly your company has treated them. They are not your friends.

"For every dollar spent retaining an account, it takes six dollars to close a new one," Reeves notes. "No wonder it's more profitable to retain customers. If you resolve problems to their satisfaction, they'll continue to buy from you 75 percent of the time. If you resolve the problem immediately, that figure rises to 96 percent."

[\[top\]](#)

Additional Resources

Below are links to more best practices as defined by our expert panel:

- [Building Customer Loyalty](#)
- [Measuring Customer Satisfaction](#)
- ["Moments of Truth"](#)
- [The Value of Service](#)
- [Employees: Your Internal Customers](#)
- [Customer Service Makes the Difference](#)
- [What Do Your Customers Think?](#)

- [Turning Complaints into Devotion](#)
- [The Customers Who Got Away](#)

[Go to Customer Retention Best Practices](#)

Copyright 2009, TEC International All rights reserved.

Marketing & Sales: [Customer Service](#)

Write a Reader Review



Write a review of this article and share your opinions with the community. See our [Terms of Use](#) for guidelines.

On a scale of 1 to 5 stars, with 5 stars being the best,

1. How do you rate this article?

Choose...

2. Please enter a title for your reader review: (optional, required with a review)

3. Type your review in the space below: (optional; maximum of 150 words)

[Home](#) [Help](#) [Contact Us](#) [Nominations](#) [Terms of Use](#) [Confidentiality Pledge](#)

© Copyright 2009 TEC International, Inc. All Rights Reserved.