



Article 57

November 2, 2008

Hold On To What You've Got: Keeping Loyal Customers During a Downturn

By J. Roy Miller, State Director, New Mexico Small Business Development Centers

Every business knows it costs more to acquire new customers than to retain existing ones. Yet many businesses spend lots of money on elaborate advertising campaigns while their profitable, longtime customers walk out the door to do business elsewhere. In this climate of economic uncertainty, it's more important than ever for business owners to hold on to the customers who helped them build their business in the first place.

Don't give them a reason to stray. Make customer service a priority by setting the example for your employees, who learn by seeing and doing what you do. Make suggestions and invite workers to come up with their own suggestions for how customers could be better served. Good customer service starts with the boss.

Reward loyalty. Every customer wants to know that his or her business is appreciated, especially when money doesn't go as far as it did even a year ago. Customers often go elsewhere simply because they feel ignored. Let your customers know you appreciate their business by saying thanks through words, letters and small rewards.

Act on complaints. For every customer who complains, another 26 have similar problems they haven't resolved, according to the U.S. Office of Consumer Affairs. Think of complaints as market research you didn't have to pay for, and then respond by fixing the problem.

Provide incentives. Promotional campaigns that provide an incentive to existing customers for doing business with your company in the future can generate additional business you would otherwise have missed out on. A discount, gift or chance to win additional services will often cost you little at wholesale but can spur much more in revenue.

Tell customers about incentives or promotions. A promotion can backfire if customers can't take advantage of it. Customers who pay full price and later learn that they qualified for a substantial discount no one told them about might be angry enough to start shopping elsewhere. Be sure that promotional offers are communicated to customers.

Stand behind your product or service. Guarantees, whether written or oral, provide trust, and customers come back to businesses they can trust. Many customers are willing to pay more just knowing they have recourse if the product or workmanship should fail.

Make things simple. Make it easier to buy from you than from your competitor by offering convenience and simplicity. Something as simple as including a self-addressed envelope when documents must be returned tells your customers you care about making their lives less complicated.

Treat your best customers best. For most companies, the top 20 percent of customers contribute 80 percent of sales. Large companies responded to this long ago by introducing loyalty cards that rewarded their best customers with discounts. American Airlines began its frequent-flier program in 1981, and Starbucks is using a similar model in 2008. If you take care of the top 20 percent of your customers, 80 percent of your revenue should be secure.

Listen. Be aware of the needs of your customers even if they aren't expressed. Take time to watch their habits as well as listen to their concerns. This type of research often uncovers hidden opportunities that allow you to meet more of your customers' needs. Actively look for opportunities to provide more value to your customers, whether it's in the form of a more pleasant experience, greater cleanliness or friendlier service.

The New Mexico Small Business Development Centers offer workshops that can help your business survive and thrive during a slow economy. Find the center nearest you at www.nmsbdc.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC), New Mexico Small Business Development Center (NMSBDC), Empowering Business Spirit (EBS), the New Mexico Venture Capital Association (NMVCA) and other partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to www.FinanceNewMexico.org.

