

Chapter One

Clients, not Customers

It's hard work getting a new account. Every salesperson you know will confirm that. Having put in all the time, effort and resources needed to land a new account, it seems a shame to waste it by losing the account after fulfilling their first order. It's nearly impossible to grow a business if you are regularly losing a significant portion of your existing base. In fact, you can forget about it.

The most efficient way to run a company is to keep the *good* accounts you have and to systematically add new ones to the roster. This is clearly a different philosophy than you hear about most everywhere else. Not all accounts turn out to be appropriate or worth the trouble. For a variety of reasons, some accounts turn out to be such a poor fit that it might well be better to let them go and replace them with something else that's hopefully better.

But, every dollar and every hour you spend keeping the right accounts are wiser investments than struggling to land new accounts to replace those you have lost. In the next chapter we will go through some of the math behind this assertion. For now, just take it on faith.

Before we can really dive into the world of retention, we need to distinguish between customers and clients. You need clients in order to work on your retention. Customers are not good enough. Customers are not good enough. Yes, I know I wrote the same sentence twice in a row. I thought it was important enough to do that.

McDonald's has customers. Assuming you've been to McDonald's, you know you walked in there because McDonald's has built up a significant amount of name recognition through advertising and by having their golden arches within sight no matter where you are in the world. Having whetted your appetite for a quick burger, McDonald's expects you to walk in, order your burger and fries, enjoy the experience and come back for more. And, if they can't convince you, they will convince your kids to convince you. Actually, you could think of your pre-school kids as part of McDonald's salesforce.

As far as we can tell, however, McDonald's has no idea who you are. They don't ask you to fill out a form with your name and email address. They don't record your name and preferences in a database. You are a customer.

To bring you back, McDonald's needs to keep up their barrage of advertising and/or impress you so much with the quality of their food or their service that you will be drawn back for yet another meal. Obviously, McDonald's does a great job of this or else they wouldn't be able to claim "billions and billions sold". But, they do it at great expense.

One of my favorite local stores adopted the same model. Well, almost. They didn't exactly have McDonald's marketing budget. I read all the time. It's a habit I picked up early and I can't seem to break it. Some years ago, much to my excitement, a small used, paperback bookstore opened near my office. It was in the same strip mall as my favorite pizza shop. At least once or twice a week, on my way to lunch I would stop to browse in the bookstore.

This was the kind of store where you could buy a used paperback book for half its original price. When you were done reading it you could sell it back to the store for a quarter of its original price. So, you could buy a \$6.00 book for \$3.00, you could read it, and then you could return it and get \$1.50. When you think about it, this is a rather clever model. Essentially, they have a 100% markup on all their merchandise. They buy for a dollar fifty and sell for three dollars. Most businesses would kill for a return like that.

One of the problems with this business is that it depends upon a rather high volume to pay its overhead and its staff. In other words, they had to sell a lot of those \$3.00 books to make a go of it.

Now, I was in this store twice a week, every week for years. The owner was a very nice woman who really cared about her store and about satisfying her customers. But never in all those years did she ask me my name. She never asked what I like to read (although she may have figured it out eventually). She had no database. She had no technology.

Because she wasn't organized enough or technical enough to develop a database, she had no way to let me know that she just got in another book in that self-help series that I so desperately need. She couldn't send me a postcard to tell me that my favorite author would be in the store for a reading. She couldn't run a special promotion for her best customers. She couldn't email me reminding me of my wife's birthday and that several more Danielle Steele books were available.

Hers was the same model as McDonald's, without the marketing budget. Sadly, the store recently went belly up and now I have nothing to read with my pizza. I believe the store would still be there today, had the owner been savvy to some relatively easy technology.

When our consulting business was very young, we had a small office on a busy road. Across the street, about a quarter mile down, was the local Subway shop. Now, I believed that Subway shops have the exact same retention model as McDonalds stores. But, in this case, I was wrong.

This particular Subway shop was owned by a young guy named Rob. He not only owned the shop, but he was there every day making subs. And, every time someone walked in Rob made sure to smile and say hello. If Rob knew your name was Carol, for example, he would be sure to smile and say, "Hi, Carol". If Rob didn't know Carol's name, he made absolutely sure to find out her name. Rob didn't have a database either, but he certainly had a good memory.

One day, I went in, ordered my sandwich and a cookie and left. Apparently, I was having a memory problem that day, because I paid for, but forgot to take my cookie. Fifteen minutes later Rob was standing in my office, not just with my cookie, but with an entire plate of cookies for the whole company. This was Rob's version of client retention at its best. He not only made a loyal client out of me, but he convinced everyone in our company to eat at his place almost every day. Several people on our staff tried forgetting their cookies in the next few weeks, but, apparently that ploy only works once.

If you don't have the budget for Super Bowl commercials, you may want to consider a more efficient model for growing your business. You want clients, not customers. This is the key to efficiently growing your business.

Clients and customers are two completely different things. A client is a company or a person with whom you have a relationship. The client knows who you are and you know who he is. A customer is a company or a person who is somehow drawn to your company, buys something and then leaves without a trace.

I recently had a meeting with our CPA firm. We're not talking about one of the Big5 Accounting firms here. Our CPA firm has two CPAs and two or three assistants, depending on whether it's tax season or not. Their marketing budget is closer to that of the bookstore rather than McDonald's.

The meeting I called with them centered around their client retention rate. Simply put, I wanted to know what their retention rate was. Like most companies, they had never actually calculated their retention rate, but they were confident their clients virtually never left them. And, in this particular case, they were able to prove it to me. Their client retention rate was well over 70%.

While their firm is relatively small and had little technology, they had already adopted many of the principles of a good client retention system. They knew almost everything about each and every one of their clients, and they had a database to house that information. They stayed in touch with their clients via phone and newsletter. They provided good, consistent service. And, in their case, they had a big assist from the government that keeps requesting incomprehensible tax forms and payments from their clients.

Just about the only clients they ever lost were the ones who died. They are Rob the Subway man with a database and some technology. The point here is that you needn't be big or really sophisticated. You just need a system.

There are several critical components to developing a client retention system. The first, and possibly most important, is recognizing the distinction between customers and clients and making sure that yours will be the latter. Then ...

- ❑ you must have a company-wide commitment to retention
- ❑ you will most likely need some technology (in the form of at least a database) to keep track of your clients
- ❑ you will need to develop a series of processes to make sure you stay in touch with your clients and that they stay in touch with you.
- ❑ you will need to measure your retention rate on a consistent basis

Oh, and you may occasionally need to be nice – even on days when you don't really feel like it and the guy on the phone doesn't really deserve it.