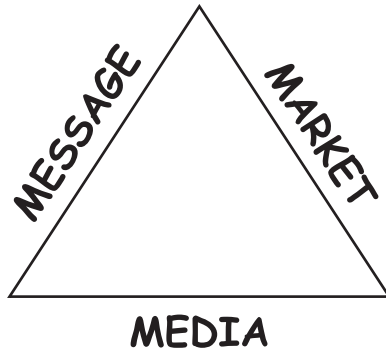


## Maximizing Total Customer Value



When you ask a group of businesspeople to list their assets, they quickly write down such items as equipment, furniture, leasehold improvements, and inventory. Many never get around to listing their customers. This lapse is often reflective of trouble in their businesses.

In every *successful* business, the customer *is*, is *perceived* as, and is *treated* as the most important asset. To really get to that point and “own” that belief, you have to figure out what your customer is worth to you, and what your customer can or should be worth to you.

For a period of four or five years, I bought well over half my clothes from one store; suits, sports jackets, slacks. I'd say my average annual purchases at this store have been \$4,000.00. In five years, I was worth \$20,000.00 in gross. I was also responsible for bringing two business associates and one client to that store, none as good a customer as I've been, but each worth at least half that much. So let's call them \$6,000.00 a year, total. Obviously, just as I brought them in, they each have the potential of bringing in additional customers. For the sake of example, let's use a reduced amount; let's say they'd bring in additional customers worth \$1,500.00 a year, total.

All together, \$11,500.00 a year . . . \$57,500.00 every five years.

This store lost me as a customer over this incident: A Sansabelt suit I bought there, I think for \$400.00, was, in my opinion, defective. The fabric itself sort of rippled or pimped after only a few wearings and dry cleanings. I brought it back and asked them to show it to their Sansabelt factory rep the next time he was in to see them, and to "work something out for me." I didn't demand anything. I left it open for them to respond to me with some kind of offer.

After a month, I dropped in. They didn't bring up the suit. I had to ask. The answer was: "Sorry—there's nothing we can do."

So for \$400.00 or less, they kissed off more than \$50,000.00 in the next five years. They just never thought through the math.

Bill Glazer, the publisher of my *No B.S. Marketing Letter*, owns two thriving menswear stores in Baltimore (Gage Menswear), consults with menswear retailers, and provides complete marketing assistance to thousands of all kinds of retailers nationwide. Many learn from and replicate the elaborate and sophisticated customer retention system that Bill designed for his stores. It involves direct mail, the assignment of an individual sales rep to each customer in an ongoing relationship, and fast, generous complaint resolution. It is not coincidental that he averages a multiple of the average stores' dollars per square foot in sales, has very high, measured customer loyalty, and has withstood both the disintegration of a

downtown shopping area around one of his stores and the TV ad-driven assault on his market by a giant warehouse-style menswear chain.

Here's why businesses lose customers:

*One percent die*

Not much that we can do about that—if they insist on dying on us, that's sort of unpreventable and irreversible.

*Three percent move away*

Well, people do move. If they move quite a distance outside our market area, there's not much we can do about that, either.

*Five percent follow a friend or relative's advice and switch to that friend's preferred merchant*

You might be tempted to say there's nothing much to be done about that either, but I'd disagree. How come we lost our customer to his buddy's merchant instead of that other merchant losing his customer to us?

*Nine percent switch due to price or a better product*

Some of this 9 percent can't be prevented, but I'll argue that some could. Why don't we have the best product? Or—if we do—why didn't our customer know that?

*Fourteen percent switch due to product or service dissatisfaction*

True—you just can't please everybody. So some of this is unavoidable, too. But it's my experience as a consumer that a lot of businesses lose me for this reason and are aware of it, but don't even make an attempt to prevent the loss, just like the clothing store I mentioned. Incredibly, they give up without a fight.

But add all that up and you've accounted for only 32 percent of the losses. Why, then, do the majority of customers leave? Can you guess? Sixty-eight percent switch because of what they perceive and describe as indifference from the merchant or someone in the merchant's organization.

In other words, they felt unappreciated, unimportant, taken for granted. Remember, that's not my theory—that's what actual customers have said.

## **ULTIMATE MARKETING SECRET WEAPON #14** **Make the Customer Feel Important, Appreciated, and Respected**

On an impulse, a business associate of mine once deviated from our mutual habit of buying and driving Lincolns and bought a BMW—a very, very expensive automobile. The car was a lemon: air conditioning that repeatedly failed, door locks that didn't work, and a bad starter, among other problems. But far more annoying than those things was the way the dealership treated him. Quite frankly, I've never seen anything as outrageous as this dealer's complete, callous, and utter disregard for its responsibilities to this customer. I could tell you story after story, and they all add up to one thing: a car dealer who is wholly ignorant of the concept of Total Customer Value.

Not only will my associate never buy a car there again; he's made certain that I wouldn't, he's talked at least three people seriously interested in BMWs out of going there, and he's still griping to anybody and everybody who will listen.

### **How to Do It Right**

The story I'm about to tell you comes from an experience I had more than ten years ago. I was struck by it then, I wrote about it in my *No B.S. Marketing Letter*, and I included it in the prior edition of this book. I still have no better example of how to do it right, in such a simple, mundane business—and if this proprietor can do it this well, you can too. So, here's the story. . . .

In Montreal, next to the Lord Berri Hotel, there is a parking lot (or at least there was some years back). If you stay at the hotel, you park there

for a daily fee, or by the hour if you're doing business in the area. It is an unpaved lot with a little ramshackle hut where the attendants sit, wait, and listen to a cheap AM radio hung on a nail. In the winter, they shiver and thaw their hands over a portable space heater; in the rain, they huddle and try to dry out between customers; in the summer, they sweat, relieved only by a small electric fan.

There's nothing distinctive about this parking lot. And it's not the kind of place where you expect anything above minimal service.

This particular evening, an associate and I had finished conducting a seminar in the hotel and had gone to the parking lot to retrieve our rental car to go in search of a good restaurant.

On the stool, leaning against the hut, was a guy wearing a T-shirt. The Parking Lot Guy. Nothing distinctive about him; no different than the guys in T-shirts you might run into in any parking lot in any city in the United States or Canada. But this Parking Lot Guy is an exciting reminder that you dare not judge all books by their covers. This Parking Lot Guy should probably be running General Motors.

"Where do you gentlemen want to go with your car tonight?" he asked. We explained that we were heading for an Italian restaurant we'd found advertised in a magazine.

"No," he said, "you don't want to go there. There are much better Italian restaurants much closer, even within walking distance."

A fifteen-minute conversation then took place. He politely quizzed us about our preferences. He got out a telephone directory and called several restaurants to determine how late they were serving, what their specials were, even what wine they had in stock. Finally, we settled on a restaurant a few blocks away. He drew us a map and carefully gave us directions.

If this hasn't shocked you, you haven't done much traveling, and you haven't parked in many parking lots. This guy—for \$7.00 a day to park our car—was taking better care of us than the staffs and concierges of most hotels we've stayed in, at \$100.00, \$150.00, or even \$200.00 a day.

He was polite, concerned, friendly, and knowledgeable. We told him so. This is what he told us:

That's my business; that's what I sell: I'm in the service business. If I can help a person or make friends with a person when he brings his car here the first time, then the next time he has to park his car downtown, he'll remember me and my place. He may even tell somebody else to park his or her car here. If he comes back a number of times, then I'm building a stable business. Then he's not worth a few dollars to me; he may be worth a hundred dollars to me in a year. In my lifetime, he could pay to send one of my kids to college for a year. If I have enough of that kind of customer, then I have a truly valuable business. You can't do that just by parking cars. There are hundreds of car lots. They've all got parking spaces. We have to give service.

I know that's what he said, because as soon as I got seated in the restaurant, I wrote down his words as I remembered them, while it was all fresh in my mind.

It is, I think, a sad commentary on the state of business and customer service in general in our society that the very best example I can put on a pedestal for you to emulate is The Guy in the Parking Lot. But in my book, he wins hands-down.

## **The Attitude of Gratitude**

I think the kind of customer service that makes customers feel important, appreciated, and respected begins not as policies and procedures but, instead, as an attitude of gratitude.

I was in a doctor's office one day when he asked his receptionist, "What's our body count today?" And that's not uncommon. I've heard customers called bodies, numbers, marks, even chumps. I've seen owners and managers rage on and on about how miserable their customers

are—in front of their staffs! These attitudes have to translate into actions, as all attitudes do.

Although it may sound simplistic, getting maximum total value from your customers begins with valuing them totally!

## **Make Everyone on Your Team an Ambassador of Customer-Service Diplomacy**

To excel in customer service, every member of your team has to understand, accept, and live it as a priority.

Is the customer always right? Surely you've heard that adage: the customer is always right. But you don't have to be in business very long before you know how totally false that is. Although they are thankfully a minority, some customers are grossly unreasonable, some virtually impossible to satisfy. Taking a "the customer is always right" approach to customer service dooms your efforts before they begin. Neither you nor the members of your team will be able to live up to that ideal. I'm not even sure that you should if you could. From time to time, there'll be a customer you will be better off without. I have occasionally "terminated" customers and clients in my businesses, I think for good cause, and I always found that the vacuum quickly filled with better business.

A better, more accurate approach comes from customer-service training expert, Frank Cooper, who says, "The customer signs your paycheck." With that in mind, we can design a Customer-Service Diplomacy Program that makes sense but doesn't force us to aspire to the unattainable.

Diplomacy is all about being gracious, sort of "old-world gracious." If you've ever been to a very formal party at a very wealthy person's home, an old country club, or an embassy, you know what I mean.

Walt Disney insisted that his customers be thought of, always referred to, and treated as "guests," drawing the analogy that if you treat the customer as you would an honored guest in your home, you'll rarely err.

I'd suggest incorporating these key ideas into your own clearly defined, written, taught, and managed Customer-Service Diplomacy Program:

### **1. Greet the Customer as a Welcome, Honored, Important Guest**

This means that the customer can never be an interruption. Those who answer your telephones must be professionally educated in good business telephone manners and must use them.

If you've ever walked up to a cash register in a department store and stood waiting while two salesclerks finished their conversation, you've experienced the opposite of this idea—and I'll bet you resented it.

### **2. Be Able to Answer Customers' Questions Knowledgeably**

One of the reasons for the early success and growth of The Home Depot chain of hardware, housewares, and do-it-yourself-product warehouse stores was the surprising helpfulness and knowledge of its employees. Its idea was to give the kind of customer service found in old, sole-proprietor hardware stores, but in a modern superstore environment with discount prices.

If you have staff members who are not knowledgeable experts about your products and services, then they must have a good means of immediately getting an answer for any customer at any time that the place of business is open.

Some years back, while “shopping” some residential communities for a client, masquerading as a customer, I asked one salesman a question like this: “If I give you a deposit today on Property A and then want to change my mind and switch it to Property B before 30 days are up, can I do that?”

The salesman honestly didn't know. He probably should have. But he didn't. And at 4:45 p.m. there was no one he could go to or call to get the answer. So he stalled. Had I been a real customer, this would have been the equivalent of stopping a sale dead in its tracks. (By the way, the correct answer was yes.)



### 3. Prevent Policies from Driving Away Customers

I have given up counting—I no longer know (or care) how many times I've been told, "That's our policy." In most cases, my response is, "I've got a policy, too. My policy is never to spend another nickel with your business after I've been told about your policy."

Of course, you have to have policies. I run businesses; I know that. But you'd better remember this one: as a prison warden, you can make up all the policies you want to because you've got a captive audience—they can't leave. Your customer, however, has "the final option." He can put his money back in his pocket and walk away, never to return. Nothing incenses customers more than being quoted "policy."

The very best policy is to create ways to say yes to customer wants and needs. I've been in restaurants where NO SUBSTITUTIONS is imprinted on the menu in big, bold type; where, if asked, the waitress snaps, "no separate checks." Their policy is "Our way or the highway." An awful lot of basically good customers choose the highway.

### 4. Have a Process for Handling Complaints in Place

This is not the time to play it catch-as-catch-can. An angry, irate, unsatisfied customer on the loose in the marketplace can and often will cause you considerable damage. At the very least, each one will spread the word to a dozen or more present or potential customers. They will take dollars right out of your bank account. At worst, they may also cause you some grief with the Better Business Bureau, the Attorney General, or other bureaucracies. Occasionally, a customer driven over the edge strolls in with a shotgun and does some permanent damage.

You need to have a sensible, step-by-step process decided on and in place for diplomatically handling and attempting to resolve complaints.

**ULTIMATE MARKETING SIN #4**  
**Letting a Customer Leave Angry Without First Exhausting**  
**Every Means at Your Disposal to Resolve the Dispute**

The foundation of maximizing total customer value has to be creative excellence in keeping and satisfying customers!

## **Regard Customer Retention as a Profit Center**

A common failing of businesses small and large is focusing all their resources on getting more new customers but investing little or nothing in retaining customers. I try to get business owners to view retention as a marketing function and as a profit center. As a consumer, I'm dismayed at the number of businesses I've patronized once or twice that never contact me. While they are ignoring me, their competitors pursue me with all the ardor associated with seducing someone new. Here are examples of a few of the many companies and businesses that have never once proactively contacted me after or between transactions:

- The dealer I bought my last new luxury car from, three years ago
- A catering company I spent thousands of dollars with five times
- A hotel I've held seminars at, filling as many as 500 rooms
- The insurance agent insuring my homes and cars
- A book printer I spent over \$30,000.00 with in one year
- A cruise line I vacationed with
- A local restaurant I took groups to, with tabs in excess of \$3,000.00

Every one of these businesses has lost my patronage and been replaced. It's been some time since they've heard from me. Yet I've not heard from any of them, wondering where I've gone.

Here are two functions that must be part of any Ultimate Marketing Plan:

First, a dedicated customer retention and appreciation program, including frequent contact and communication—a newsletter, greeting cards, useful information, little gifts. I do this personally and have done so for thirty years, with terrific results. Almost all of the marketing

advisors to different industries that I coach provide their clients with monthly newsletters to send to their customers—including Dr. Ben Altadonna, who works with chiropractors; Rory Fatt, who works with restaurant owners; Ron Ipach, who works with auto repair shop owners; Tracy Tolleson, who works with mortgage brokers . . . the list goes on and on.

Second, go after “lost customers.” Set up some kind of system to track every customer’s activity. Whenever one goes missing for an inordinate length of time, send a letter and a great offer, coupon, or free gift, or pick up the phone and call to find out why that person is no longer purchasing from your business. Big companies with monthly services, like long-distance providers, invest heavily in “save the customer” departments. A marketing consultant who works with that industry, George Walther, wrote about one such example, in which it cost the company about \$700.00 to get a new customer. But half of all new customers were dropouts before the seventh month. Company analysts figured that cutting those cancellation losses by just 1/10 of 1 percent would add more than a million dollars to the bottom line. By creating a team of “save the customer soldiers” who talked to anyone calling to cancel service and pursued those who did, the company “saved” \$8 million of revenue the first year.

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### Resource!

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Gold/VIP Member Mitch Carson at Impact Products expertly designs and runs turn-key “customer appreciation gift programs” for a variety of businesses and offers a variety of items ideal for such programs for cafeteria purchase. He removes the excuses for not doing this—too busy, not enough time, can’t think of what to do, etc.—by doing it for you! Get information at [www.impactproducts.net](http://www.impactproducts.net). You can also see examples of different customer newsletters in one of the installments of the free 12-Week Ultimate Marketing Plan Course delivered by e-mail at [www.UltimateMarketingPlan.com](http://www.UltimateMarketingPlan.com).

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In this case, this company should be cheerfully willing to spend up to \$699.99 on customer retention efforts each year, per customer. Why? Because they know it costs \$700.00 to replace one.

If you know what it costs you to get a new customer (and you should know!), then you should make an intelligent decision about proactively investing in keeping and nurturing your relationship with the ones you have.

## **The Four Ways to Increase Total Customer Value**

There are only four ways to increase Total Customer Value:

### **1. Increase Average Order or Purchase Size**

Restaurants do this by effectively merchandising desserts and take-home treats and other products. Industrial marketers do it by expanding product line use and “upping” the customer to bigger sizes. Mail-order companies do it with “today’s telephone specials” offered to the caller after the intended order has been taken.

### **2. Increase Frequency of Repeat Purchase**

Using rewards, discounts, frequent buyer clubs, volume rebates, and frequent contact, you can capture a larger share of each customer’s expenditures.

Murray Raphel, direct marketing expert and developer of the retail mall in Atlantic City called Gordon’s Alley, says, “In Gordon’s Alley, we have put together a Gordon’s Gold Card program. The criteria is simple: did a customer spend \$1,000.00 a year or more with us? If they did, terrific. They are entitled to a Gold Card. Now, what does the Gold Card entitle them to? Lots of nice things, including:

1. A free lunch every month from our Alley Deli.
2. Advance announcements of sales.
3. Special vacation packages—a tie-in with our on-site travel agency.

4. Unadvertised specials. Every once in a while, we'll look over our stock and see we don't have enough for a full-blown sale/reduction, but enough for a select group of customers. That's you, Mr./Mrs. Gold Card.
5. Free gift wrapping.
6. Birthday presents—a special gift from our in-store gourmet shop, and with it a \$10.00 gift certificate, which brings them into our store.”

Now, I want you to notice two things about Murray's brilliant program: first, it has built-in frequent contact with customers. Two, its every feature works to bring the customer back to the store. Why don't more stores and businesses do this? Why don't groups of noncompeting businesses get together and do this? I dunno.

### **3. Offer Existent Customers a Greater Variety of Goods and Services**

These people are predisposed to buy from you. In my *No B.S. Business Success* book, I talk at some length about what I call “the mini-conglomerate approach.” Given that getting and keeping the customer is the most difficult and expensive business function there is, it just makes sense to work hard at doing more business with each customer. So, the carpet cleaning company that also offers air duct cleaning, sells premium quality vacuum cleaners and air purifiers, and maybe even owns or is in a strategic alliance with a pool cleaning business, lawn care business, and pest control business, leverages each customer to maximum value.

**ULTIMATE MARKETING SECRET WEAPON #15**  
**Developing New Products and Services for Existent**  
**Customers Instead of Getting New Customers**  
**for Existent Products and Services**

#### **4. Get Existent Customers to Bring You Their Friends, Relatives, Neighbors, Business Associates, Employees, and Others as New Customers**

We'll explore this in detail in Step 10. Suffice it to say for now that referrals can be the lifeblood of a business.

One of the people I work with who does a phenomenal job at *all four ways* to maximize customer value is Platinum Inner Circle Member Ron LeGrand. Ron's \$20-million-a-year publishing, seminar, and coaching business caters to real estate investors and entrepreneurs. New "students" are acquired from free seminars, a TV infomercial, radio commercials, direct mail, and Ron's bestselling book, *How to Be a Quick Turn Real Estate Millionaire*. First, to increase the average order or purchase size, Ron's company offers multiday, in-depth training events priced from \$3,000.00 to \$10,000.00, and they are remarkably effective at moving a customer immediately from a \$20.00 to \$50.00 book or book and CD purchase to a \$5,000.00 second purchase. Second, to increase frequency of repeat purchase, Ron offers a series of seven different "boot camps": for example, one has to do with luxury homes, another with "ugly houses," another with foreclosures. Third, to offer his customers a greater variety of goods and services, Ron encourages his most successful investor-students to record their own "how to" audio and video courses, develop seminars, and offer coaching, marketed through Ron's company. This unusual—and I think, brilliant—attitude about cooperation versus competition gives Ron a virtually unlimited flow of new products of interest to his customers with no work on his part. Fourth, Ron has several programs that encourage students to actively refer other students. If you'd like to see more of what Ron does, go to [www.RonLeGrand.com](http://www.RonLeGrand.com).