

The virtuous circle

Happy and engaged customers and employees drive growth and success

BY WHITNEY REID

Marketing is the methodology of promoting and communicating the value of our brand — the product or service we are trying to sell. While traditional marketing techniques include target market analysis, market segmentation and behavioral studies to determine how best to reach the customer, technology has expanded our opportunities.

Today's marketing principles make use of information technology, social media and relationship marketing. Using technology, we are able to target market groups based on their behavior and economic trends. Social media keeps the brand name, company philosophy and values in front of the eyes of the customer. Relationship marketing is the practice of retaining customers through varying means.

Research shows that engaged customers generate 1.7 times more revenue. A company with engaged customers and engaged employees returns a revenue increase of 3.4 times the norm.

The cost of the initial customer acquisition occurs only at the beginning of the relationship. As the relationship continues, the cost is amortized; thus lower overall with each retained customer.

Happy, satisfied and engaged customers typically are more loyal, less price sensitive and wonderful word-of-mouth publicists. They are also less likely to switch to a competitor. Repeat customers make your employees' jobs easier because the employees are able to offer more personalized service and have a greater relationship with the customers. This creates a virtuous circle instead of what some clubs have experienced — a vicious cycle of constantly trying to fill their customer and employee pipeline.

There are two ideal methods to increase customer retention — internal marketing programs and training on best practices. Internal marketing is focused around an employee relationship model built on loyalty, support, collaboration and teamwork. This service culture determines what employees say and/or how they behave with customers.

It is important that employees are a positive representation of your brand and marketing strategies, while also being good internal customers for each other. This means employees should provide and receive outstanding service to and from other employees. An effective internal marketing plan will encourage employees to look at the customer's perception of value and good service when making decisions.

My opinion is that an external marketing plan cannot be

successful if the internal plan fails when the customer arrives at the club for his first time. In other words, an unhappy customer experience is a waste of your marketing dollars.

The key to customer retention is to create experiences where customers feel important, welcome, comfortable and understood. Such outstanding experiences require a solid service-training plan with role-playing using positive words and phrases, and teaching how to recover when things go poorly. Often, the way we handle customer feedback is the make-or-break point of customer retention. Here are a few tips for customer retention and service culture:

1. Listen — to employee interactions with each other and customers. Are they reflective of your core values and the desired customer experience?
2. Determine your customer valuation — a process of categorizing your customers according to their behavioral and spending patterns. Understanding this will give you an idea of where to invest your marketing dollars and relationship efforts.
3. Understand your customer retention rate — the percentage of customers you have at the end of the year who were also customers at the start of the year. It is estimated that a 10 percent increase in retention can be equated with doubling the life of a customer. For example, if you estimate a customer to be engaged for 5 years, an increased retention rate of 10 percent suggests that customer will be loyal for 10 years.
4. Determine the reasons for customers leaving — leaving for a better price may only be a symptom, not the root cause of the defection. Listen to customer feedback/complaints and keep an eye on competitive benchmarking.
5. Once you determine your culture and retention rate, develop a corrective action plan. The plan may include training, capital funding, management practices, employee recruiting, reward and recognition programs, or simply a change in information technology strategies to better connect with new and existing customers. ●



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