

#1 in a Series: *The Value of a Return Customer*

Figuring True “Per-Customer Cost”

Have you ever considered the cost of each customer who walks through your door? If not, take a moment to fill in the below. If you have these numbers at your disposal (and I hope you do), you will find your true per-customer cost.

- 1) From your P&L, what are your **total operating costs** (the “bottom line,” including salaries, taxes, rent/building payment, interest, utilities, etc.)? \$ _____ Total Operating Exp.
- 2) How many **business days you are open per year**?
(i.e. $6 \times 52 = 310$ - less holidays closed) Biz days per year
- 3) What does it **cost to “unlock your front door”** every day?
Divide Line 1 - *Total Operating Costs* by Line 2 - *Biz Days Open* \$ _____ Per day “nut”
- 4) What is your **Average Daily Customer Count**? Many of you probably don’t keep a Traffic Log, but it’s a good idea. If you don’t, for a day or two, count how many customers come into your business. This does not include employees, deliveries, sales staff, etc. It does include anyone with the potential of spending money with you, including... Tire Kickers, Service Customers, Spark Plug Buyers, etc.
Write in your Average Daily Customer Count: Avg. Daily Cust. Count
- 5) Now, take your “per day nut” (from line 3) and divide it by your average daily customer count (line 4). Record your answer below.

ANSWER: My Total Per Customer Cost Is \$ _____

If this is less than \$25.00 per customer, I will be surprised. (If it is, call me and tell me how you do it!)

The Importance of Understanding Per-Customer Cost

When you and your staff truly realize what it costs each time a customer enters your business, you will want to aggressively consider how you can capitalize on each and every one of them.

The increasing cost of replacing customers, coupled with the strategic need to build a customer base, necessitates greater focus upon **best practices for retaining customers** to cultivate their lifetime value. Consider these statistics:

Why Customers Leave You

- 1% Die
- 3% Move away from your trade territory
- 5% Develop other relationships or act on recommendations from friends
- 9% Competitive reasons (price)
- 14% Product dissatisfaction
- 68% Perceived indifference by a representative of your firm

Source: U.S. News and World Report and The Rockefeller Corporation



You've seen these stats before. There is just too much evidence to deny that you don't have people leaving you because they think you are "indifferent" to them. While we know this is just *perceived indifference*, as they say, perception is reality. It's just a fact: Personal attention and ongoing customer care creates loyalty and longevity.

The Age of Information

Did you know there has been more new information produced in the last thirty years than in the previous five thousand? A weekday edition of the *New York Times* contains more information than average people in seventeenth-century England were likely to come across in a lifetime! The amount of information in the world has doubled in the last five years, and it will keep doubling. In all the clutter, the personal touch reigns supreme. Personal attention and ongoing customer care sets you apart from the clutter in the minds of your customers.

Dial "1" For...

The Age of Information ushered in the "digitization of humanity." Customers are too often relegated to automated phone attendants, on-line business transactions, help desks and email "conversations," and other impersonal forms of communication. The human factor is systematically being removed! Customer Service giants like Nordstrom, Southwest Airlines, and the Marriott Hospitality chain recognize this void and are capitalizing greatly on it! Why? Because personal attention and ongoing customer care boost bottom-line profits.

No, you won't find a doorman at Motel 6, but...

It's a fact in business...there are "frugal" people who account for a piece of your bottom line. Don't knock 'em for it, just realize their place in your business. My dad owned better menswear stores for 42 years, and I learned a lot there when I was growing up. One time a salesman was a little snooty to a customer during a seasonal clearance sale. When asked about his actions, the salesman said, "The only time they come in is when we reduce our prices." I'll never forget Dad's reply. He explained that this type of customer was just as important in another right because he was helping clean up the inventory. Let these customers have their place in business. Go ahead, show them you care. But don't make them your focus. Rather, put your focus on your "Ritz-Carlton" customers. You know a Ritz customer almost immediately. He is the one who places price farther down the list of important purchasing factors. Ritz customers are your "A-list" customers. It is crucial to take good care of them!

Keep your Ritz customers returning

Most businesses operate close to the Pareto Principle where 80 percent of the profits come from 20 percent of the customers. Maybe for you it's 30 percent, but at any rate these are the most important people walking through your door - you need to keep them returning. Offering a nice shopping atmosphere at a convenient location, good selection, good service before and after the sale, and sales training are all part of the equation. *But what are you doing AFTER the sale to stay in timely contact with these customers?*

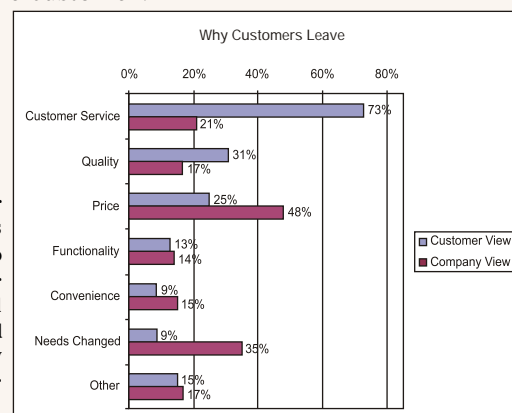
Remember the per-customer cost you figured for your business earlier? Consider that cost. Consider that 68 percent of customers never return due to a perceived lack of indifference, and that it costs six times more to find a new customer than it does to keep a current one. Can you afford to lose even one customer?

Fail to maintain a strong relationship with your customer after the sale, and you'll miss easy profits! For 28 years Follow-Up Sales Systems™ has kept customers returning. We offer something unique to the industry... something that creates the customer loyalty we've been talking about.

It is more than just "post-sale follow-up." It is *personalized, thru-the-dealership, customer-care follow-up*.

It cannot be confused with non-personal contacts like direct mail, newsletters, spam emails, etc. (though these do have their place). At F.U.\$.\$.™, our mission is to "keep 'em comin' back" to you so that your initial investment in getting new customers progresses into a long-term "bottom-line profit relationship". Make the most of your per-customer investment with F.U.\$.\$.™ !

Here's another look at why it is so crucial to make your customers feel important and personally cared-for after the sale.



Source: RightNow Technologies

Next month's question: When does it make sense to job out services?