

A Customer's Worth

{ We all know that it is important to maintain your existing customer base, but do we really go to the lengths necessary to keep our customers? }

By Ron Rosenberg

When you understand the long-term customer value, you know that it's worth it to invest time, money and effort bringing in and keeping customers. Over a period of weeks, months or even years they will spend with you over and over again. But this will only happen if you make the effort to care for them, fulfill their wants and needs, and resolve any problems quickly. This will help you keep them in your camp, raving about your business and telling their friends, co-workers and relatives how great you are.

If the opposite happens and you start taking your customers for granted, you may end up seeing a type of "customer divorce." When you show your customers that you don't value them anymore, they will take their business elsewhere. What does this do? Not only will you lose customers, but these customers are likely to discuss their bad experiences with people they know, eliminating any future business you may have generated from referrals. And they will probably take their business to the competitor down the street.

The Right Formula

Here is an example of how you can calculate the actual dollar value a typical customer brings to your business during that customer's expected lifetime association with your company.

I travel extensively both within North America and around the world presenting workshops and keynote presentations on a variety of customer service, marketing and leadership topics. Among the contents in my computer case are top-tier "elite" level memberships in about a dozen airline, hotel and car rental "frequent-flyer" type programs, including three-million-mile status on American Airlines.

Let's take a conservative view of my travel activity. Suppose I fly twice a month on business, although it's generally more than that. Assume that each ticket costs \$500. If I travel only 10 months a year and travel like this for a total of 20

years, my lifetime value to the airline industry can be computed as follows:

$$2 \text{ (trips per month)} \times \$500 \text{ (average cost per ticket)} \\ \times 10 \text{ (months per year)} \times 20 \text{ (years of traveling)} = \\ \$200,000 \text{ (expected lifetime value)}$$

What are the implications of this figure? Suppose I have a problem with an error in a reservation and the customer service representative on the phone is belligerent in her refusal to make reasonable accommodations to correct the problem. I could become so frustrated with the situation, with that person and with the airline in general that I decide on principle to never fly with that airline again.

A problem that might cost \$100 to resolve will have deprived the airline of literally tens, if not hundreds of thousands of dollars.

And these are just the figures for a single customer. They do not take into consideration the potential windfall from word-of-mouth recommendations, or the possible harm that can come from people sharing the negative experiences they may have with your company.

The total dollar value you compute is one you should remember. You should know it by heart, communicate it to your group and tape it to your desk. Because when you begin to look at your customers not in terms of what they are buying today, but rather in terms of what they will buy forever, your decision process in virtually every aspect of customer service takes on a new light.

The Cost of Relationships

The point to remember is that it is critically important to do whatever you can to keep the customers you have to ensure the long-term success of your business. It may cost you a little more up front, but it is well worth the effort in the long run. I can tell you this from personal experience.

I believe it was former Miami Dolphins football coach Don Shula who said that in reviewing the

game tape, you can, in hindsight, identify the three or four plays that ultimately determined the outcome of the game. The problem, he said, is that you don't know in advance which three or four plays these will be. The bottom line, he explained, was to line up each time as if that's the play that's going to break open the game.

The implication for businesses is simple. You don't know exactly who the person is coming through the door or on the other end of the phone. On several occasions, participants in conference breakout sessions have turned into valuable long-term clients. But when I took the microphone to begin these sessions, I had no idea who was in the audience or whether anyone there might have the opportunity to use our services.

And by taking care of these clients and ensuring that I was exceeding their expectation, they, in turn, have recommended me to other clients with whom I have established additional long-term business. It has been the key to our success and it can be yours, too. **LGR**



Ron Rosenberg is a nationally recognized expert on marketing and customer service, business coach and public speaker. Maximize your marketing efforts, accomplish your goals and generate more revenue with his 90-Day Implementation

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