



Profit by Improving Customer Loyalty

In a tough economy where advertising and marketing dollars are tight, don't overlook your customers as marketers, promoters, and referrers for growing your business. Some of your customers are loyal promoters and referrers. Some of them definitely are not! Turn all of them into your most effective and least expensive marketing resource.

Survey your customers first. The process is simple, the results will contribute to revenue growth, and you will identify exactly what is exciting or exasperating to them. Taking action based on survey results will lead to improved customer loyalty, increasing the level of referring that your customers will naturally do for you. Additionally, insights from the survey will help you build new offers to promote that will drive better results from your advertising and marketing.

First, ask your customers to rate you on a scale of 0 to 10 based on the question, "How likely is it that you would recommend this company to a friend or colleague?" Then sort the responses into three groups: promoters (9's and 10's), passives (7's and 8's), and detractors (0's through 6's). The percentage of promoters minus the percentage of detractors equals your score. A company with 75% promoters and 15% detractors, for example, would have an NPS of 60.

Then ask a couple of additional questions, beginning with: "May I follow up with you at a later date?"

The permission clause is a key to NPS. The goal is to get constructive criticism from willing customers. You then ask one final question: "Why did you give us this rating?" Some of the most useful feedback comes from detractors. Unhappy customers will give you an earful, perhaps revealing some serious shortcomings of your business in doing so. Cure what ails this tough crowd and convert detractors into promoters, and up climbs your NPS. But some companies also seek feedback from passives (the 7's and 8's, who can take you ... or leave you) and promoters (the 9's and 10's, who love you almost as much as your mother does).

(Read more about this process developed by Fred Reichheld, a partner at the Boston consulting firm Bain & Co. and a pioneer in the study of customer loyalty. The process is designed to measure Net Promoter Score, NPS. See more on CNNmoney.com, at http://money.cnn.com/2008/05/21/smallbusiness/customers_sell_for_you.fsb/index.htm)

Why go through this exercise?

Some of your biggest customers are your best customers. You already know what they are buying, now make sure you know everything they want so that you can build additional offers for them to buy. You will increase your sales and margins from this



most important base, you can model them in targeting new customers, and you will make them highly effective referrers and promoters of your business.

Some of your biggest customers are your worst detractors. They can be time bombs, unsatisfied or even angry, but still attached to you because of habit or because of lack of choice. You need to identify these customers and fix whatever their perceived problem or misunderstanding is. They will hurt your bottom line if they leave you, and they will persistently detract your business to other customers and potential customers so long as they remain disaffected. The converted customer becomes an influential referrer and promoter of your business.

Some of your smallest customers can be better customers. Find out everything these customers want, and build offers to gain more of their business. You will increase sales and margins from this group, making them even more loyal and vocal in referring and promoting your business.

Some of your smallest customers will never be good customers. They will always be detractors. Find out what their issues are and fix the issues that can be fixed. You will gain some new converts, and you can suggest alternative outlets for those who will not be converted and who will not cease being detractors.

So, drive improved customer loyalty to increase revenues and profits from existing customers, use existing customers to attract new customers through referrals, and use survey information to design targeted promotion offers that will improve sales and increase returns from advertising.