

Keeping Customers is Cheaper Than Getting Them

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We exist in business to obtain and retain customers. It's cheaper to keep a customer than to get a new one.

Think about how much you spend in advertising. Do a little math. Take all the money that you spent on advertising last year and then divide it by the number of new units that you sold during the year. You'll probably come up with a number that is between five hundred and a thousand dollars that was spent in developing each of the last year's new customers. That was the average we reached in a 20-group meeting recently. Whatever the amount, either you don't spend enough (that's a separate issue) or it amounts to a lot of money. I'm not saying it's bad to advertise. On the contrary, it is an absolute necessity. My point is that it takes a lot of money to get someone into the showroom and motivate him to the point that he purchases a new unit.

Further, many times quickly offering a dissatisfied customer an extra hour of labor or a small part will keep that customer happy with your dealership. In general, it is worth it. I wouldn't allow my employees to spend five hundred or a thousand dollars to get people off their backs. That isn't the answer either. But that is what you would spend to get a new customer to replace the dissatisfied one.

The key is in implementing systems that serve the customer and allow you to make a profit by filling a need that those customers have. In doing so, you begin a relationship that can have vast profit potential. Carl Sewell, the author of "Customers For Life," puts the lifetime value of an automobile customer in the range of several hundred thousand dollars. Look at their average price and look at ours. You simply can't afford to turn away customers for any reason when you look at it in those terms. Telling a customer to go back and get their service work at their selling dealer is short-sighted at best. What about beginning and fostering a relationship so the next time that customer will buy from you?

Once you've spent a lot of money to get a new customer, what plan do you have in place to get him to come back? When you give him an adjustment in their bill, for example, could you make it apply to the next service work he does with you? Do you send out mailers to your current customers? Do you have a "valued customer" discount program? Most importantly, are your people regularly trained in customer satisfaction and customer handling skills?

The "CSI" concept was born in the idea that customers are good or bad advertising depending on how they are treated. I personally think that a great number of us have forgotten that. We seem to get caught up in the idea that we must make every customer happy. But I think we forget that the reason that we first came to be involved in CSI was to keep customers coming back to do business with us. Business goes where it is invited and stays where it is welcomed. That's what CSI ratings are for.

Untold amounts of money have been spent on the research and applications of the CSI concept. Manufacturers, researchers, dealers and associations have all contributed. Dealers have a substantial investment, too. What are the results in your store and how do you measure them? Here is something you might try. It will work particularly well if you have had a computer system online for a few years. Pull fifty deal folders from business that you did four or five years ago. Look at each of the customers to determine whether or not you are still doing business with them on a regular basis. Chances are that you will find that the large majority of them dropped away from you in the second or third year of ownership. After the lapse of the warranty, they seem to drop off quickly.

The warranty period should be the courtship. Your customers should find that your people are honest and professional. If they do, your chances of retaining them are greatly increased. That's really the main point. We should all want to have systems in place that help our customers to see a company that is professional, organized and honest. Remembering the cost of gaining a new customer, it is cheaper to keep a customer than to get a new one. The training budget is lower than the advertising budget, isn't it?