

FIXEDFOCUS™
STEM THE LOSS

The Risk

Right now some of your customers are getting ready to leave and take their business to one of your competitors.

Current research and industry experience indicate that between 10 and 40 percent of an average company's customers leave each year and the defections may even include satisfied customers. That means replacing a significant percentage of your customer base each year just to stay even.

Beyond the immediate drop in revenues directly attributable to customer loss, is the longer-term impact of lost referrals and negative "word of mouth" on your marketing and sales efforts. Research indicates that dissatisfied customers are likely to tell seven to thirteen people about their negative experience.

Senior corporate management in most companies clearly recognizes this issue. According to a recent survey conducted by the Conference Board, CEOs ranked customer loyalty and retention their number one management challenge.

Unfortunately, many of the traditional approaches that attempt to enhance customer retention rates, such as customer satisfaction research and CRM, have not fulfilled their promise.

There is a compelling need to find an approach that can support all the complexities of the individual business-to-business customer relationship.

The Reward

Even small reductions in customer attrition can have a dramatic effect on a company's bottom line. A study published in the Harvard Business Review concluded "Some companies can boost profits by almost 100% by retaining 5% more of their customers." The disproportionate increase in profitability is attributable to the significantly lower cost of maintaining an existing customer versus the marketing and sales costs of finding a new customer, coupled with the higher revenue

stream generated by established clients. Existing customers are five times less expensive to maintain than the cost of finding a replacement; are less price sensitive than new customers; are more likely to purchase products and services across multiple product lines and generally spend more annually.

In addition to increased profitability, loyal customers provide important intangible benefits to your company. Selling to them is more efficient because your staff knows how to work with them; they provide free word-of-mouth advertising and referrals that have significantly more impact than paid advertising; they pay less attention to the competition and they provide ideas for new product and services.

Traditional Approaches

The two methods most frequently used to address the issue of customer loyalty and retention are Customer Satisfaction Research, and Customer Relationship Management (CRM). Both are excellent techniques and provide considerable benefits to the corporation; neither, however, addresses the customer loyalty/retention issue effectively.

Satisfaction Research

Traditional customer satisfaction research is designed to promote an understanding of the issues that customers have with a company, its products, and its services. The goal in conducting these studies is to improve relationships, reduce customer loss and increase sales by understanding and satisfying the customer's most important needs.

The problem with traditional customer satisfaction research is that it gathers data from a relatively small sample of individuals, aggregates the results, and then project the results to your customer base. Not only are individual customer responses lost, but also the unique needs of your most valued customers, if identified at all, can wind up in the "all other mentions" category, and often are ignored because they do not make the statistical cut.

Customer satisfaction research also promotes a “one size fits all” response to the problems it uncovers. Unfortunately, the fit is likely to be poor. The special insights that are needed to address the unique and often idiosyncratic needs of your best customers are often washed out in the “averages.”

For large consumer products companies that sell and communicate with their customers through national media and for whom each customer as an individual is relatively unimportant, the customer satisfaction methodology makes sense. However, traditional customer satisfaction research proves woefully inadequate for business-to-business companies that rely on direct relationships and communication with their clients and for whom the personal relationships between account managers and clients are paramount.

Increasing customer retention rates in a business-to-business environment requires looking at each of your clients individually, uncovering each one’s unique needs, expectations and priorities, and then tailoring a specific response to each of them individually.

CRM - Customer Relationship Management

The other methodology commonly in use is CRM. At its core, CRM is a sales information management system and is generally used to profile customers and manage communications with them. Every customer contact and interaction is stored in a database and the data can be used to create greater functionality for marketing, sales and service departments. It excels at managing vast amounts of historical customer data and targeting communications appropriately.

What CRM cannot do is predict which customers are going to jump ship. It does not provide the kind of information necessary to enhance customer relationships and it frequently mistakes behaviors from “trapped customers” that mimic loyalty for true loyalty.

CRM definitely has its place, especially in large mass-market driven organizations, but certainly not as a tool to enhance customer retention. Its efficacy in smaller relationship driven business-to-business organizations, where there are a fewer customers but where customer needs are even more unique and complex, is even more questionable.

For CRM to become an effective retention tool, the transactional data it captures must be coupled to a complimentary system that provides forward-looking insights into customer expectations. Without this addition, CRM systems will only tell us “how” customers behaved in the past, but will always lack the ability to explain the “why” of customer behavior.

The Role of the Account Manager

Account managers are frequently relied upon to measure the pulse of individual customer relationships, including their loyalty, and many companies believe that no other systems are needed. After all, they are in frequent contact with their customers, understand everything about the relationship and are in the right place to find out what problems a customer is having.

However, relying on account managers to identify relationship problems is often ill advised. Frequently, the account managers themselves are part of the problem. Where there are mismatches between customer and account manager, it is unlikely that account managers will report problems that reflect poorly on themselves.

Further, the account manager may be the last person that customers might go to when they have problems. The social demand to be polite coupled with a deep-seated need that many individuals have to be non-confrontational frequently prevents customers from expressing dissatisfaction. Oblivious to the existence of a problem, the account manager may perceive the relationship to be solid while the issue remains unresolved and continues to fester.

Although they have an important role in the client retention process, account managers should never be the sole source for evaluating the loyalty of customers they manage. Rather, the inputs for evaluating loyalty should come from an unbiased and neutral source with which customers are comfortable being honest. The company and the account managers can then use the information to create a dialogue with the client to resolve any problems that are uncovered.

FixedFocus™

Customer Retention Program

Baxter Strategies Incorporated has developed FixedFocus™ its cutting edge customer retention program, to help companies understand and improve their customer relationships and better meet the challenges of today's highly competitive business environment. The FixedFocus™ program is a powerful system that helps you understand you customers, one-by-one and respond to their needs and issues quickly, effectively and affordably.

Comprehensive

Baxter Strategies' FixedFocus™ Program utilizes an extensive battery of rating dimensions to evaluate the customer-company relationship and to detect signs of weakening loyalty. The evaluative measures are based on thousands of interviews with senior management, coupled with more than 50 years of collective experience measuring and quantifying customer needs, satisfaction and loyalty.

FixedFocus™ accurately and reliably assesses customer satisfaction and loyalty across a broad range of industries. It lets you know not only if there is a problem, but also pinpoints exactly where the problem lies. This level of specificity will enable your customer team to go back to the client fully armed and ready to discuss and deal with any issues that are uncovered.

Fast

FixedFocus™ is a web-based tool, so the process from setup to final reports is faster than possible with traditional research. If desired, “loyalty alerts” can even be provided to your company on a real-time basis.

Flexible

The FixedFocus™ system was designed to accommodate the requirements of individual companies, regardless of industry.

To accomplish this, the system allows you to ...

- Examine your entire customer base or any subset of it.
- Use it to conduct either “point in time” evaluations or to continuously monitor customer loyalty.
- Add or remove attributes to tailor the process to your company
- Obtain inputs from as many as ten individuals for each customer that an account manager has, so that even complex accounts are covered.
- Specify different levels of access to the information.
- Access the information whenever you need it, 24x7.

Effective

FixedFocus™ will allow your company to be proactive in resolving problems and developing solutions and strategies to reinforce customer loyalty and promote customer retention.

The FixedFocus™ Program will help you ...

- Save customers on the brink of defection
- Enhance loyalty and customer retention in your most important customer groups, improving your bottom line
- Understand the causes of customer loss and reduced customer expenditures.
- Cross-sell more effectively as a result of having improved relationships with your customers.
- Build company-wide best practices and create customer-focused teams that will build high value relationships
- Make Account Managers accountable for performance, with improved goal setting and measurement.

Affordable

FixedFocus™ was designed to be affordable for even the smallest organizations and scalable to serve the largest.

Why You Should Use FixedFocus™

Loyal customers are very resistant to change. They will generally ignore low price bids, new product introductions, and competitive sales pitches.

The key to building a loyal customer base is to truly understand your customers and act decisively on that understanding.

FixedFocus™ examines each of your clients individually providing the basis to improve all of your relationships; it clearly identifies those that are at risk, giving you the ability to deal with the issues uncovered, in time to save the account.

Baxter Strategies Inc.

Customer Retention Experts

Baxter Strategies and its principles offer over five decades of experience conducting satisfaction research across a wide range of industries. We have experience with hundreds of surveys with top management and other executives and have employed a variety of data collection methodologies and sophisticated statistical analyses.

We have employed our significant experience with satisfaction and customer loyalty research to create a truly superior customer retention system — the FixedFocus™ Customer Retention Program. We will be happy to show you exactly how the system works, and how it can be successfully integrated into your organization.

To learn more about FixedFocus™ call or either [Steven Kane](#) in New York at (516) 367-1783 or [Joseph Katz](#) in Florida at (561) 793-3010 or visit us on the web at <http://www.baxterstrategies.com>.