

Talking Technology

Tip #2 to grow your business

By Steve Burns, Capital News contributor

A few weeks ago we embarked on a series of articles on the four ways to grow any business—technology, manufacturing, retail, services.



There are just four ways to grow any business:

1. Increase the number of customers of the type you want to have.
2. Increase the number of times customers come back.
3. Increase the average transaction value of each sale.
4. Increase the effectiveness of each process in your business.

Understanding that there are just four ways to grow your business is the first step towards growing a profitable business.

Last article we examined the use of a customer advisory board to increase the number of customers of the type you want to have.

This week we want to focus on the second of the four ways to grow your business: Increase the number of times customers come back.

Did you know that it costs six times more to acquire a new customer than to increase your sales to your existing customers?

This may sound as no surprise but in fact entrepreneurs love hunting customers so much that we often neglect the customers that we do have.

If you are spending all of your time acquiring new customers, you may be missing the most profitable segment of your business—your existing customer base.

The first step in increasing the number of times customers come back is to examine why customers are either unhappy within your business or leave your business entirely.

The objective in doing so is to increase the loyalty of the customers of the type you want to have—to get them to come back to your business more often.

Some say that loyalty is dead.

They say that customers will shop around for the best price and leave you in a moment's notice.

For retailers, are there not discount warehouses creeping up all around you lowering prices on almost every type of retail product and destroying your once loyal customer base?

For manufacturers, are not distributors and agents taking more commission these days and delivering less loyalty from the end consumer?

For technology firms, is it not difficult to obtain any clients locally?

For service firms, do your customers not balk at your hourly rates?

Loyalty is not dead—but your business may be if you are not actively creating it.

You can create and sustain loyalty even in the most adverse market conditions.

According to Frederick Reicheld (i.e. The Loyalty Effect), loyalty has an enormous impact on your profitability.

For instance, a five per cent increase in customer retention can cause a 25 to 85 per cent increase in profitability.

Staggering numbers that require your immediate attention.

So then, why do customers leave you? Only your customers know the real answer.

However, a recent study across all industries and types of businesses highlighted the following reasons for customers leaving a business:

- three per cent convenience—your competitor was easier to get to;
- nine per cent relationship at a higher level—a relative or friend had a similar business;
- 15 per cent product and price—your product was inferior or your price was too high;
- five per cent miscellaneous

So what makes up the missing 68 per cent?

An unbelievable 68 per cent of customers leave because of perceived indifference—that is, when customers feel you just don't care!

I would suggest that this number is even higher for Okanagan based businesses—we simply are not delivering the level of service that customers demand and expect.

Remember your business is being compared every day not to the business down the street but to the business based in Seattle that just wowed your customer.

Mediocrity is not longer acceptable in such a global marketplace.

Sometimes the brutal truth is best—what would your customers say about how you value their business?

Are you obtaining all of their business or do your competitors have a portion?

Do your customer's perceive that every time they call your business you communicate your lack of attention to their needs; that is that you appear to really care less about their needs?

We all could do a better job at building loyalty within our businesses.

While I have much to do to improve this in my own business, I really do want my clients to become Raving Fans—to rave about how well they are treated.

Better yet, that I communicate with them even when they aren't asking something of me.

Next week we will review how to develop and implement a customer nurturing strategy that successfully minimizes or eliminates perceived indifference.

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