The Raphel Report

Observations on marketing, advertising, sales and promotions
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October 2002 Number 41

Why Do Customers Leave You?

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Does someone in your business ever-so-often ask,"Whatever happened to (fill in the name) and how come he doesn't shop with us any more?"

Several surveys asking this same question were taken through the years by (but not limited to) the American Society for Quality Control, the Harvard Business Review, U S News & World Report -- even the Swedish Post Office titled "Satsa pa kunden" ("Focus on the customer").

Each survey was done independently from the other and yet, amazingly, all came with nearly identical responses.

14 percent left because of complaints not taken care of.

9 percent left for the competition.

9 percent moved out of town.

68 percent said they left for "no special reason."

In other words, seven out of ten people who were "steady" customers said they left for "no special reason."

I don't believe that.

I think there was a reason.

I think the reason was the business did not keep in touch with their customers. They took them for granted. And when someone is taken for granted . . . they don't feel important and are susceptible to the next mating cry.

Having the customer repeat buying from you means doing more business with you. Good selling depends heavily on repeat business.

Here's why: It is far, far easier to sell more to the customer you have than to sell a new customer.

And yet the average business spends five times as much time and money searching for a new customer than they do on the customer they already have.

If they keep following that path they will soon discover the customer they thought was locked up, committed and loyal has. . .disappeared.

The national average of customers who leave you every year is about twenty percent. That's one out of five of your current customers! If that trend continues for a few years you will be out of business if you don't go in one of two directions: (1) Find a way to have 20 percent new customers or (much better) (2) Recapture some of the ones that left.

A study by Bain & Company in Boston said if you can cut that 20 percentage defection in half you can double your bottom line profit!

Because of the money you spent to secure them the first time.

Because they will spend more as the years go by.

Because their income increases.

Because their family (or business) grows larger.

Because they tell others to buy from you.

The longer you keep a customer the more money you make. An auto service company said their expected profit from a customer that stayed with them for four years was more than triple the profit the same customer generated their first year.

John Romero, the premier direct marketer in the casino industry, tells of the time a senior executive came to his office and said, “We need new business.” John’s answer: “What’s wrong with old business?” His point: businesses overlook the once productive customers they once had still hidden away in the company’s database. His question: “Why would you spend years developing a customer then ignore him because he stops coming? There’s pure gold in that file of names waiting for you to dig it out. It’s the best ‘new’ business you can find.”

How do you know when a customer is about to leave? New computer programs can track your customer’s behavior past and present. When their pattern begins to vary greatly with less sales, smaller sales, less contacts, you should start hearing warning bells ringing. Their pattern is changing. Time to contact them and ask if everything’s all right.

Here’s why this is important: Accounting systems don’t list the value of a loyal customer. Most businesses don’t recognize, know about or pay attention to this phrase: “The lifetime value of a customer.”

I remember talking to Stew Leonard at his famous supermarket in Norwalk, Connecticut who explained it simply: “The lifetime value of a customer in a supermarket is about $246,000. Every time a customer comes through our front door I see, stamped on their forehead in big red letters: $246,000! I’m never going to make that person unhappy with me. Or lose her to the competition.”

One salesman we know increased his sales dramatically when, after making a presentation, he lost the sale to a competitor. He called the buyer back, thanked her for her time and asked, “What should I have done that I did not do?” Invaluable information. This feedback is concrete, specific and gives you directions you might never have considered. Often the reason is not what-you-think.

Some businesses ingratiate themselves to their customers to the point where they almost become a part of the owner’s family. Customers are greeted warmly as old friends when they arrive and your conversation picks up from the last time they were with you. (One reason why: You make notes of the last time they arrived and ask about their business, their family, etc.) There’s an old speaker’s phrase: “No one cares how much you know unless they know how much you care.”

Some businesses succeed because they simply persevere, like the salesman who called on me to sell me ties. His products were made of synthetic fabrics. All our ties were natural fabrics: silk, cotton, wool. One year when he appeared, I said, “Phil, we don’t carry ties made out of polyester or synthetics. When are you going to stop calling on me?”

He looked at and softly said, “Depends which one of us dies first...”

For those who say, “Well, it worked for others but it won’t work for me. I tried and gave up.”

Buy why give up? Perservere!

Remember the words of Winston Churchill in his 1941 address at the Harrow School: Here’s almost his entire speech: “Never give in. Never. Never. Never. Never. Never. Never.”