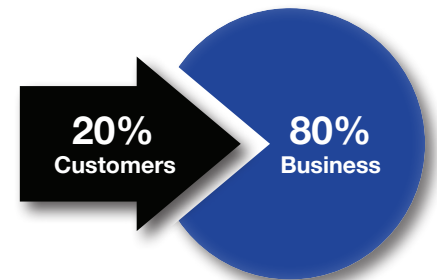


Building a Retention and Referral Strategy

I've always held the belief that people deal with people they like and as long as you offer a fair and reasonable price with exceptional service, customers will come back. However, the convenience of the internet and growing competition makes commodities of many products we used to buy in our communities.

Attrition or customer turnover, combined with the **Pareto Principle**, where **80% of our sales come from 20% of our customers**, causes businesses to put more emphasis on finding new customers. Interestingly, studies show that it's five times more profitable to spend marketing and advertising dollars to retain our existing customers.

The Pareto Principle



When marketing to our current customers, we need to make sure that we are adding value and that our communication is not considered more “junk.” **Embed your campaign with value.** A current customer is more likely to see value in a coupon or special offer because they can - and will - actually use it. In addition, a current customer is more likely to order products from a new or different business line if we can offer a product or service they currently get elsewhere.

Fred Reichheld, author of *The Ultimate Question*, says one question can determine your business's future:

Would you recommend us to a friend or colleague?

On average, over 80% of people answer “yes” to the ultimate question and 18% actually provide a referral.

Building a Retention and Referral Strategy

Using an online retention tool makes the process very simple and avoids the awkwardness of having to ask for the referral. The process is simple and there are lots of service providers to choose from depending on your goal.

Here are some websites to check out if you're looking to build surveys:

SurveyGizmo
SurveyMonkey
PollDaddy
FluidSurveys

surveygizmo.com
surveymonkey.com
polldaddy.com
fluidsurveys.com

In a nutshell, you need to build a microsite or landing page with questions that are relevant to the customer's experience. Depending on how good your database is, an e-mail with a link can be used to direct people to the page or the site can be printed on business cards, invoices, back of a receipt, etc.

Generally speaking, **your customers will complete a survey once just as a courtesy**, but letting them know that you are using the results to improve your service delivery model (and they will not be contacted again after completing the survey) provides added incentive. Results are collected online and any problem results are flagged so that you get immediate notification of an upset customer.

The survey should be short, **no more than 7 questions**, and hopefully generate sales leads within your existing customers by asking a question like, *which of the following product or services do you currently purchase from someone other than us?*

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As a retention tool, you will need to review the comments and respond to any particular issues that arise. As a sales generation tool, you should automate a follow-up that provides feedback for people that want more information.

At the end of the survey, we ask “the ultimate question” and people that respond “Very likely to refer you to a friend or colleague” are offered a reward for actually doing so. If they choose not to, no hard feelings, they just skip the step. Getting the referral only works if we actually follow up with the prospect.

