

Creating Customer Loyalty

Last week's article, "Are You Loyal", focused on the lifetime value of a customer and the benefits of leveraging your customer relationships.

Let's review the example before moving forward: An automotive repair shop owner researches his industry to find that the average customer purchases \$3000 in auto repair services per year. He looks at his company records and realizes that a customer spends far less than that with him. In our example, it was only \$300 or 10% of the customer's total purchases. Having discovered this information, the business owner can craft strategies to build customer loyalty, such as frequent customer discounts or referral discounts. He may also try to communicate with his customer base more frequently to find out why they go elsewhere for services that he can perform. The key factor in this case is that he had enough information to know what questions to ask in order to begin altering his business strategies and building revenue. This repair shop owner obviously has a great point of sale program to monitor customer contact information and history.

Many small businesses don't have systems in place to track their customers' activity and information. It can be a daunting task to figure out how to collect data, especially if your business does not have a point of sale system that is capable of recording information at the time of purchase. You may choose to invest in such a system if you can afford to do it. In this economic environment, finances might not allow it. So, what can you do in the meantime?

Collecting some information is a great start, even if it is as simple as an e-mail address. Many small businesses use e-mail very effectively in their customer relationships. Armed with customer information such as addresses and e-mails, a business owner can begin to draw customers back to the business with simple, inexpensive promotions. With permission from the customers, some complementary businesses may even pool e-mail lists, providing joint promotions that offer a customer more options and even more reasons to return and shop in a particular area. Talk with neighboring complementary businesses to gauge their interest in such a campaign, and remember, let your customer know if the communication they receive will have promotions from other complementary businesses as well. It's easy to get started. Place a guestbook at your register and offer a small discount in return for the customer's name, e-mail address, home address, and phone number.

E-mails and home addresses also provide a means of two way communication with your clientele. Perhaps you want to know how a customer feels about your product line, atmosphere, or customer service techniques. If you don't, you should. You should also want to know where else they shop for products like yours and why they go elsewhere. Customer surveys provide valuable information to help you change to meet the changing consumer mindset in a recessionary economy. If a business doesn't change to meet the needs of its customers in this environment, that business won't survive. Asking for information and opinions is a valuable first step in creating a much needed loyalty factor

between you and your customer. To increase the return rate of your survey, offer a small discount if the customer responds.

It is important to remember that you are not alone in developing a marketing strategy. The Small Business Development Center (SBDC) has helpful, confidential advice on marketing tips to grow your business. They also have expertise on staff to help you craft customer survey instruments that are more likely to generate helpful and positive responses for your business strategy. All SBDC consulting services are confidential and free.

If you are interested in learning how to use electronic newsletters to market your business, the SBDC is partnering with the Virginia E Commerce Technology Education Center (VECTEC), Farmville Area Chamber, and the Town of Farmville to bring you a helpful course titled “How to Write E-Newsletters”. The course will be held at the Farmville Town Conference Center on May 26th from 9 a.m. to noon. Call the Longwood SBDC at 434-395-2086 for more information. If you haven’t done so, visit the SBDC online at www.sbdc-longwood.com and sign up to receive the SBDC e-newsletter: “Longwood SBDC Connection.” Sent monthly, the newsletter has helpful articles, advice, and other seminar events that may be beneficial to your business.

Next week: More tools to help you create customer loyalty and build a stronger business.

Sheri McGuire is the Executive Director of the Longwood Small Business Development Center Network. The LSBDC provides free consulting services to small businesses throughout Southside Virginia. The Center is financially sponsored by Longwood University, the Small Business Administration, and Local Governments. For more information call 434-395-2086 or visit www.sbdc-longwood.com.