



Presented
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Power Promoting Ideas 2!

Once customers have shown they like our business by shopping with us, why do we insist on using traditional advertising methods to invite them back?

—Tom Shay

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Hunt for lost customers

By Tom Shay

SOUND ADVICE FOR BUSINESS

We have a friend whose business we greatly enjoy visiting. His is the type of shop everyone would want to have.

On a recent visit, we observed one employee who was on the phone the entire time we were there. While all of the customers were being taken care of by other employees, we thought it odd and asked our friend about this. "He's hard at work, bringing back some old customers," was the answer the owner gave.

"Where had they gone?" was our question, and "How do you know they are gone?"

The owner of the business explained they had made a point of tracking every customer they had ever served or sold to. Each customer was tracked by name and by information about his or her purchases.

The system was so complete that when a customer came into the business and the address was not the same as what was on file, the salespeople were trained to ask the customer, "Who bought the old house?" The salespeople then made an effort to contact the new homeowners and welcome them as potential customers.

Again, a file was created for each customer. Every customer had been tracked by the product, date, and price paid. "But where does the telephone come into play?" we asked.

"Every month, we have the computer print a list of customers who have been inactive for at least three months. The report gives us all the information we have tracked, and from there we go looking for the missing customers."

We now knew how the business created this list, but our curiosity remained as we wondered why they would want to know this. The business owner told us he had studied ways to reduce costs.

In an article he had read, there was a quote from John Wanamaker, the famous department store owner. Wanamaker said he knew half of his advertising did not work; he just didn't know which half it was.

What caught this business owner's attention was that, in studying industry reports giving the averages for businesses, he found advertising was an expense that, as a percentage of sales, was often equal to the net profits of the business. A second report that caught his attention reported the cost of obtaining a new customer was approximately \$20; yet to retain a current customer cost only \$4.

Looking back at Wanamaker's statement and the industry-average financial statement, the idea of retaining customers seemed to be a lot more affordable and profitable than looking for new customers.

He then took the time to look at the files of customers who visited his business at least once a month. The logical question in his mind was, "Where had these customers gone?"

To answer the question, he created a list of names and telephone numbers and began to call the customers. The list of questions asked went through several changes before he got a sequence that seemed to work best. To his surprise, through the process he found he was not the best person to be asking these questions.



Hunt for lost customers (continued)

By Tom Shay

SOUND ADVICE FOR BUSINESS

He learned this as he had an infrequent call in which the customer seemed to be hesitant to answer his questions. He would then ask his salespeople if they could shed any light on what had transpired in the customer's last visit to the business. These hesitant-to-answer customers were most frequently the ones who had been unhappy with the product or sales help.

This is where the business owner got the idea of having someone else ask the questions; and from this experience, he developed the technique for bringing back old customers.

The newest person in the business was given a list of 100 names. In a period of 10 days, all 100 customers were to be contacted. The script went something like this: "Hello, Don Blair? This is Danny Lyons, calling from Carl's. I am the new salesperson here at Carl's; and as I was looking at our files to see who our customers are, I noticed we had the opportunity of selling you a (name of product) earlier this year. How did that work out for you?" Danny then listens to what the customer has to say.

Danny then says, "I also note you have not been back in our business since then. We have gotten in some really sharp new accessories since then, and I would welcome the opportunity to show them to you."

If there was any problem with the previous transaction, it is at this point the customer will usually express his unhappiness. Again Danny listens, takes notes, and then says, "Well, I would really like to have the opportunity to earn back your business. Do you think we could do that?"

Of the 100 customers Danny called within two weeks, the business owner found that, on average, a complaint was heard only twice.

Now, Danny and the business owner were not able to make the unhappy customer happy again every time, but Carl's had done what the majority of businesses fail to do—attempt to gain the customer back.

Why go to all this trouble to find two unhappy customers? Actually, it is not just for these two customers. What is the surprising part of this attempt to have customers return is that approximately 16 of those 100 will actually show up in the business within the next two weeks. They will tell Danny Lyons, as do the majority of the 100 customers called, that they had not needed anything of late. These 16 will show up because the thought of shopping again with Carl's has been planted.

The cost of this unique effort is minimal. The results are tremendous; especially if you think about the alternatives. If you were to utilize a newspaper ad, you would be thrilled with even a 3-percent response; and the 3 percent you would get might only look instead of buying. But these groups of 16 are already strong candidates to buy, as they have frequented the business in the past.

We may not have solved the problem of determining which half of the advertising works, but we have surely demonstrated a method of prospecting for customers that will work for you, too. John Wanamaker would be proud!