

## CRM Assignment #2 for BCS412MQ at Seneca 2009 feb

### Chapter 5: Customer Relationship Marketing

BCS412MQ

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#### Premise #3:

*It cost more money to create a new customer than to keep an old customer.*

#### Breaking it down:

It costs 2 to 10 times more to get new customers than to keep existing ones. To be as profitable as possible it is important to give customers a reason to always come back to you. But it's easier said than done. The customer doesn't live forever but it is important to remember that good company stays in the family. That is, not only do you market to the customer but to their family as well – generation after generation.

"The best way to do it is not just to get satisfied customers but to create apostles. Apostles are raving fans... business advocates... people who are out there in the market place preaching the gospel for you, your products, your services and your company. What is an apostle worth? Priceless."

- Dr. Tony Alessandra

<http://www.youtube.com/watch?v=sYo9QKrZ1Q>

Longer term customers lower operational and marketing costs by word-of-mouth, are less price-sensitive, and increase your profits. The result is that the value of each customer increases the longer they are a customer. This can't be done by just giving out buy 8 and get the 9<sup>th</sup> free cards or rewards programs, but by serious research and analysis. Evidence suggests that success in retaining customers come down to the basics (1):

- Building a customer database to develop customer profiles
- Segment customers and prospects based on value (high, low, medium – Velvet Rope)
- Permission-based marketing – Customers give permission to receive marketing and special offers
- Matching loyalty programs to your customers segment.
- Managers should make their employees follow through with company promises
- Use problems as opportunities to demonstrate what great service your company gives.
- Companies with high employee retention rates have high customer retention rates



"The more you can precisely define which customers you're trying to serve, the easier it is to perceive your business through their eyes"

"Smart companies go the extra mile for the customer and show them just how dedicated they are to making sure that they feel good about doing business with them,"

- Michael LeBoeuf, author of *How to Win Customers & Keep Them for Life*

#### Challenges to keeping Customers:

- *Nobody Is loyal anymore (2)* - The internet has made customer retention and loyalty a real challenge. Customers are just a few mouse clicks away from another company and can easily search for the lowest prices possible.
- *Perfection or the highway (2)* – Customers want flawless service and products. The old saying, they want things “Good, Fast and Cheap”. It applies but to an extreme. If you can't give them what they want, when and how they want it, then the competition will.



#### The Hilton Penalizes- Not 'Paris':

Loyalty programs are becoming so repetitive and common amongst companies that it has become more of a price promotion rather than a reward program.

The Hilton Hotel is a great example of this. The Hilton has a loyalty program called, Hilton Honours. It allows customers to accumulate points on the number of overnight stays at their hotels. Stupidly, if a customer doesn't stay at any of the Hilton network of hotels for 12 consecutive months then all their points are lost no matter how many years you've stayed there and built up points (3).



#### Thinking Fresh:

Having a loyal customer is only half of the battle. It takes two-to-tango. The company needs to be loyal to the customer as well! Remembering repeat customers and treating them special, after all they are.

A great example of this is the show “Cheers” – “where everyone knows your name”. They knew all their loyal customers and exactly what they wanted.

Before you say a customer isn't loyal, ask yourself: “What have I done for my customers lately?” (3)

#### YouTube Links:

- **Porsche Commercial**  
<http://www.youtube.com/watch?v=KRbzJOL1Zn8>
- **The Best Porsche Commercial - (Don't Forget)**  
<http://www.youtube.com/watch?v=LrzCdi0W4ZA>

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**Images:**

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