

Altman Dedicated Direct

STRATEGY... TACTICS... RESULTS

Column: **"After the Phone Rings ..."**

Month: **November 2006**

Topic: **Continuity Customer Retention -Tactics**

Last month I covered methods for acquiring continuity customers once you've identified a concept. But acquisition is only half the battle. The profit from continuity marketing comes from the ability to "acquire once and ship multiple times". Most marketers lose money acquiring continuity customers, or at best break even. To be profitable at continuity marketing, you must be able to retain customers beyond the initial order.

In simple terms, to improve retention you must:

- Add or increase the number of tactics that are retention drivers
- Reduce or eliminate actions that are retention killers

Retention drivers are policies or promotion tactics that increase the length of time customers gain meaningful value from retaining their relationship with the marketer. Retention killers have the opposite impact. Note that the key point is the customer is in the driver's seat. Assessing whether a policy you are about to implement or a promotion tactic you want to test is a retention driver or killer means putting yourself in your customer's mindset. Consider if the action or offer causes that customer to feel better about the products they already received, and more or less favorable about getting more items from you in the future. .

One of the biggest retention drivers is being flexible. Different customers have different needs. Some prefer one payment and others prefer stretching payments out. Some customers want to get shipments monthly, and others prefer every other month. The more you are able to be flexible and let the customer determine when they receive their shipment, what components are included and how they pay, the more likely they are to find a combination of those that works for them.

Using the web to your benefit can become a retention driver as well. The low cost of email allows you to notify customers before their next shipment and put them in the driver's seat about the timing of that shipment, and what it includes. This ultimately opens up another selling opportunity for you in the process if you offer add-on items in that shipment notification.

Unannounced gifts/bonuses can be huge retention drivers – everyone loves a gift and can't help but feel appreciated, which in turn makes your customer feel good about you, the marketer. And don't forget to remind your customers of the value they get – spell out the savings they receive as a continuity customer off regular pricing -- on invoices, statements and so on.

On the other side of the coin, the biggest retention killer is slow or delayed delivery on the initial or first follow-up shipment. Customers forget, change their mind and in general are given the message that you don't appreciate their business when you don't deliver when expected. I've seen retention rates sliced in half with delayed shipping, and profitability turn into a loss as a result.



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The second biggest retention killer is a pricing strategy that creates “sticker shock” on the first follow-up shipment. Example: offering an item that sells for \$35, for \$10 when the customer signs up for continuity, then billing \$35 for each future shipment. This doesn’t mean you can’t discount to acquire continuity customers, just be careful that difference in price from initial offer to follow-up shipments isn’t too dramatic.

And don’t forget to thank continuity customers for their business -- early and often. A sure-fire way to kill retention is not appreciating someone’s business. Continuity customers are “golden”; they are not average buyers. So long as you remember that, and treat them with the respect and attention they deserve, they will reward you by staying around, and growing your profits.

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