



In these tough times, it's your existing customers that will keep you warm...

Ignore them - and there's a good chance you'll end up like HMV, Blockbuster, Jessops and the rest of them...

There's total mayhem on the UK High Street right now. Blood and guts everywhere...

Retailers are in a tailspin and going bust every day.

The latest, as I write this, is Blockbuster. Before them, we had HMV, Jessops and Comet, to name but three. All were heavyweights.

Without doubt, the trend will continue.

Since 2008, a staggering 202 retailers have gone out of business in the UK, putting 184,000 people on the dole - and left close to 20,000 shops boarded up on our High Streets.

Online is to blame, they tell us. I think that's tosh...

The main reason for the demise of these retailers, is not online, but stupidity. And, in most cases, you can lay the blame firmly at the door of the marketers who ran them - and the dozy sods that employed these brainless berks in the first place.

Over the years, I have talked myself silly to whoever might listen, about the power of an existing customer and how it is absolutely vital that companies realise their value.

Some of the companies that have gone bust, I have actually had meetings with over the years. And, in every case, we discussed this very subject.

I suggested to them, as I have suggested to many, many others, that it is total lunacy to spend 4-5 times more on getting a new customer, than on the ones they already have. It makes absolutely zero sense.

Especially when you realise that current customers are worth 4-5 times more than new customers.

Did they listen? No. Did they go bust? Some of them did, yes.

Is there a connection? I believe there is...

I know one furniture retailer not a million miles from me, who has a valuable customer list of over 85,000 past customers, but doesn't talk to them ever, because "it's too expensive".

Can you believe such nonsense?

This company spends fortunes on local media advertising to generate new customers – and totally ignores the ones that previous fortunes spent on media advertising, generated.

You couldn't make it up...

Successful business these days is not about making a sale. It's about making and KEEPING a customer...

Your customers are your lifeblood. They represent, by a long, long way, the most important element of your business.

They are more important than you. More important than your Managing Director. Light years more important than your Financial Director.

And here's why...

- 1. The customer you've already got is 4 – 5 times more likely to buy from you than someone identical who is not a customer.**
- 2. A previous enquirer is about twice as likely to buy from you.**
- 3. A more recent enquirer offers even greater potential than that.**
- 4. A past customer is usually the next best bet to the above three.**
- 5. Prospects, however smartly targeted, come a very poor fifth.**

An awful amount of companies these days, forget their customers. Bad as that is, it doesn't even come close to those companies who don't even want to know who they are in the first place.

Take the disaster that was HMV...

I buy loads of music. And DVD's. More than anyone I know. Much, much more than my daughter - and any of her friends. I always have. I bought from HMV regularly and I also buy online.

But, HMV have never once tried to capture my details. To find out who I am and to harness that power and value for their business.

If they had, they could have mailed me with relevant new products and wrapped nice attractive offers around the communications - and, guess what? - I would have gone back to the store and bought even more.

The wise words of Dr Michael Lebeouf are very relevant here:

"The rewarded customer buys, multiplies and comes back..."

We all know this, surely? It's not rocket science.

I remember pitching HMV over 15 years ago, with a 'HMV Direct' strategy. This was years before they had a go at it themselves and screwed it up regally. The idea had the backing of a great guy and good friend, Kit Buckler of Sony Music.

Sony Music were massive in those days and to have them onside was very powerful. What I was proposing to HMV was a no-brainer for them.

The thought process behind the scheme is as valid today, as it was then.

Ageing hippies like me (and other like-minded older people) buy more music than the kids. Much more. And the record companies have got incredible back catalogues of great music that people like us will buy.

But the vast majority don't buy these products, because they don't know they exist. I worked in the record industry for many years and I played in a number of bands in the 60's.

So, music was a vital part of my life then. It still is now. Because of this, even after all the years, I keep my ear to the ground. And I still have friends in the business.

I have subscribed to Mojo magazine for as long as I can remember. I also receive other music magazines and newsletters from around the world.

But, most people my age don't have this level of connection. So, what is released, by and large, gets zero attention, not only by others in my age group, but also the rest of the world out there.

The record companies in the last 20 years have had their promotional budgets decimated. So, they don't throw any promotional budget at a new album, from, say, people like Bonnie Raitt, Michael Franks, Joni Mitchell or Jackson Browne.

Or anyone else, for that matter...

Great music gets released – and most of it goes under the radar of people who would have a propensity to be interested in it. Millions of pounds worth of sales, are lost, for this reason.

A lot of people only buy stuff after they've heard a track in the car, on Radio 2 or Smooth Radio. It's just scratching the surface, that's all.

So, I suggested to HMV, that if they embarked on a strategy to identify and capture this group of consumers and introduce an effective strategy to maximise on them, it would pay them back in spades.

They would sell planeloads of back catalogue and have a personal channel to introduce both new and existing products to an audience that wanted to buy...

...and that had loads of money to spend...

In a nutshell, they humoured me at the pitch. They used the words 'interesting' every two minutes, whilst looking at the watches every two minutes after. They said that they would give it consideration.

This took less than a week. They came back and said it wasn't for them.

Just over 2 years later, they launched HMV Direct. It was a pale imitation of what I had proposed - and was an abject failure. They simply didn't understand how to do it. And they understood even less about the music they had in their vaults and the prime audience segment they were targeting.

The marketing director was 24 years old. What the hell was he doing running the marketing for the biggest music retailer in the UK?

If you asked him to name a Steely Dan album or what his favourite Miles Davis track was, he would look at you as if you were an alien. He wouldn't even know George Harrison if he bumped into him.

When HMV Direct launched, I put myself on the HMV Direct database. I wanted to see what they did. They first produced a hugely expensive 'coffee table' type book, which was a total waste of money.

Creative masturbation. And it didn't sell.

I received a couple of subsequent mailings. They were awful. Looked like they had been put together by an above the line agency, not by experienced direct marketers.

They closed the operation inside 2 years, with massive losses. Another great opportunity, lost forever.

So, they've now gone bust. And it's a shame. But, they had it coming...

It's not traditional retailers that ignore the power of existing customers. There are many, many more offenders.

Take the retail motor trade. They are, in the main, incredibly poor at recognising the power of existing customers. How many of you reading this, who have bought a vehicle from a dealer, get regular communications from that dealer?

Very few of you.

I know this to be true, because I ask people. Not only in this country, but overseas as well. At two recent Masterclasses I ran before Christmas, in Serbia and Romania, I asked these simple questions.

"How many of you in the audience have a motor car?"

Most hands went up.

"How many of you bought your car from a dealer?"

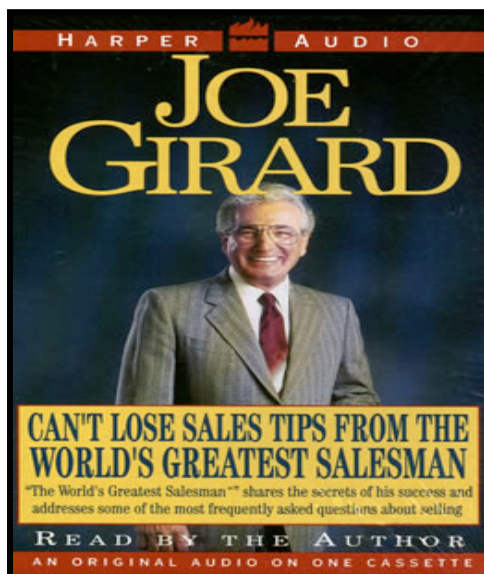
Most hands stayed up.

"How many of you receive regular communications from that dealer?"

95% of the hands went down.

And, in both locations, I could see the audience smiling. They knew the point I was making. And they got it. The dealer that had sold them the car was a very poor business person.

And stupid to boot.



This guy is the most successful salesman ever.

His name is Joe Girard. This book is worth reading.

He turned his hand to selling cars and was astonishingly successful at it.

When he was asked what his secret was, he said.

"I realise that the next sale begins, the minute I deliver the new car".

Car retailers today, could learn so much from him.

To let someone drive off the forecourt and basically forget them, is beyond my comprehension. Especially when retailers make more money on servicing and parts than they do on the sale of a vehicle.

Those few that do keep in touch, communicate badly, using templates and cold impersonal letters that sound like they've been written by the yardman.

Ignoring the enormous value of past customers, happens all over. Take restaurants for example. Another very competitive and tough arena.

How many restaurants ask you for your details? How many of them show an interest in you and invite you to join their 'Gourmet Club' or 'Food Lovers Group', to be invited back in for special offers and exclusive evenings?

Once again, sadly, very few.

I can't remember the last time this happened to me. Yet there are many, many examples over the years, of restaurants that have made fortunes from this strategy.

But, as with most things marketing that worked and made sense, those strategies were introduced decades ago, when smart marketers understood how to utilise the power of data.

They also understood that if they then hired people who could write great direct response copy and originate effective creative – for mailings to be sent to the segmented database they had created – they would make an awful lot of money.

Which they did.

Let's face it. Even the most successful and popular restaurants have their quiet nights. For some, it's Sundays. Most don't even open on that day now. For others, it might be Tuesday.

By using a valuable database of past diners, a smart restaurateur could invite people in on those days, with strong offer-led promotions.

Two-for-ones, FREE wine – these things WORK. And will continue to work. But do they do it today? No.

I know a lot of today's restaurant groups now have email databases, because I am on a lot of them, to see what they do. But most communicate incredibly poorly, as the emails they send, lack connection or warmth.

And certainly no personal recognition.

It's just a numbers game to them. A cheap and cheerful promotional route, hitting cluttered email inboxes, read by apathetic recipients.

They forget a very important fact. Customers are not born equal. Smart marketers market to people on their differences, not their similarities.

To send the same basic offer to someone who spends ten times more than the next guy, is not only lazy, it's simply very poor marketing.

As the wonderful Jerry Reitman once said:

"Customers have different names, ages, addresses, dialects, education, incomes, ethnic backgrounds, experiences, aspirations, circumstances, family structure, motivations, behaviour patterns, personalities, character traits, physical features, emotional make-ups and personal priorities.

Consumers are individuals, as unique as snowflakes"

It's a magnificent quote that should be on every marketer's office wall.

One final example of this nonsense, is the hotel industry. All hotel marketers fancy themselves. I haven't been in front of one that doesn't. They really think they are pretty good.

Most aren't...

When we stay with a hotel, we give them so much information. But, the majority don't use it. Over the years, I have stayed at hundreds and hundreds of hotels. Only once have I ever received a 'thank you' and an offer to tempt me back.

Only ONCE. How incredibly bad is that?

Hotels should pay as much attention to the customer leaving through the revolving doors, as the one coming in. But they don't.

Once again, I have had many, many conversations with hotels about using the data that they have on past customers, to generate attractive new business. I have pitched a lot of the big groups over the years.

But, only a handful understood the potential. The rest did not.

To most, it was too much trouble. It involved a database – dirty word – and a bit of investment. Also a dirty word.

Those that were brave and did invest in a meaningful strategic programme, made a fortune. And they continue to reap the benefits to this day.

Yes, I know most of the leading groups have loyalty schemes. But how many are really run correctly. How many send out communications that make you feel special and privileged?

I would suggest, very few. And now, of course, most of them send these vital customer communications out by email, which reduces their impact even more.

Why do they do it? Simple. Because it's cheaper.

If they bothered to test email against direct mail and evaluate the return on investment they would get from their campaigns, they would be very surprised.

Direct mail, as we all know, will devastate email in ROI.

Anyway. Anyhow. Anywhere. (I choose...) To quote Pete Townsend... (Sorry, couldn't resist that.)

But they won't test it. In fact, they won't even think of it. It's just a numbers game to them – and really, old customers don't matter. It's all about tomorrow and new customers.

Well, that's what many hotel groups and independents thought, just before they went bust.

JJB Sports thought like that, too. And Jessops. The marketers at HMV had the same mentality. As did Comet. And many, many like them...

Don't be like these brainless morons. Recognise the power of your existing customers, before it's too late. They are gold dust...

Whether you like it or not, your past and potential customers are in charge of your business now. Not you.

They will determine whether you are successful. Not you.

They hold the power now. Not you.

To conclude, I have some good news and bad news. The good news first. Here's a FREE gift from me to you.

Below are four strong recommendations that will benefit you and your business, if you choose to recognise them:

- 1. Respect your customer - he is more valuable than you.**
- 2. Stay close to your customer - he will make you successful.**
- 3. Keep listening to - and learning from - your customers.**
- 4. Use your imagination and don't be a lemming like the rest of them out there.**

Here's the bad news...

This year, you are going to lose at least 20% of your customers.

And here's why they will leave you.

- 4% will move away or die.
- 5% will open up other company friendships.
- 9% will be stolen by your competition.
- 14% will express dissatisfaction with your products or services.

And a massive 68% will leave you, **because you will show indifference to them – and make no meaningful effort to contact them.**

(Above figures from a survey by McGraw Hill.)

Yes, nearly seven out of ten of your past customers, who have cost you a small fortune to obtain, are very likely to walk away from you this year, because you'll forget to tell them how much you love them and value their business.

The great marketers of yesteryear will be rolling over in their graves. They showed us how to make fortunes by harnessing the power of an existing or past customer.

A hell of a lot of today's marketers, have chosen to ignore this wisdom. And the results are there for us all to see. It's not just retail, by the way. It's happening in all sectors of Industry & Commerce.

I believe what we are seeing in these early days of 2013, is just the start.

There will be a lot more high-profile failures, across every sector. And people will suggest many colourful reasons for their collective demise.

"No one has any money anymore", they'll say. " People are worried about the economic situation", will be heard again and again.

"Everyone is buying online now", will be rolled out with gay abandon.

Some of those reasons may have some merit. But, I believe the main reason in most cases, will be that the companies concerned, ignored the most fundamental rule in business...

I'll let the late, great Peter Drucker tell you what that is...



"There is only one profit centre in business.

It is your customer"

How you treat your existing customers, could be the difference between you and your company continuing to thrive, or going out of business.

In these tough times, you should be spending more of your under-pressure budget on retention rather than on acquisition.

Your customers deserve the very highest level of attention and respect.

If you are not giving it to them, do something about it, NOW.

Tomorrow may be too late...

Keep the faith



About the Author

Andy Owen is MD of Andy Owen & Associates, a leading International direct marketing consultancy, specialising in all aspects of creative, copy and strategy for direct marketing.

The company's corporate website is www.andyowen.co.uk

The specialist copy division website is www.copywritingthatsells.com

Andy is personally involved in every creative and copy element that is produced by Andy Owen & Associates.

As well as his International speaking engagements, Andy runs in-house copywriting and direct marketing Masterclasses, Workshops and Seminars for companies and organisations all over the world.

Check his latest gigs on the website:

<http://www.andyowen.co.uk/speaker-presenter.html>

If you feel your company could benefit from any of these, or if you would like further information on any aspect of copywriting and creative for direct marketing, please contact Andy personally at andyowen@aol.com

All Andy's previous articles are available to enjoy, read and download at www.andyowen.co.uk/articles.html