

What's the key to customer loyalty?

FEED

How to get inside your customers' minds
By Mike Hetherington

BACK

"The purpose of business is to get and keep customers."

PETER F. DRUCKER

While the world of business has lurched, reinvented itself, crashed and soared, this wisdom remains unchallenged 50 years after it was written. With look-alike competitors offering commodity products, retaining RTO customers is the name of the game. "A lost customer may be difficult and expensive to recover. In some cases, it is necessary to wait a generation before the account has the potential to be resold," says John Sviokla, professor of marketing at the Harvard Business School and author of *Keeping Customers*.



The good news for the rent-to-own industry is the Federal Trade Commission's 1999 *Survey of Rent-to-Own Customers*, which found the average RTO customer purchasing 2.5 items every five years with 75 percent of the respondents self-described as satisfied.

The link between customer retention and profit is strong. "Businesses that earn superior levels of customer loyalty and retention also earn consistently higher profits—and grow faster as well," says Bain & Co.'s Frederick Reichheld, author of *The Loyalty Effect*.

The most obvious and powerful tool for increasing customer retention and loyalty is learning what your customers think and feel and then being responsive to their needs, problems and wishes. Here are some methods innovative rental dealers across the country are employing to keep their customers coming back.

IT'S ALL IN THE DELIVERY

Many already "get it." Brownie Calvin is president of Option Rentals' four Nashville, TN, locations and a 24-year RTO veteran.

Viewing delivery as *the* pivotal customer experience because of its lasting impression, he does a post-delivery phone follow-up asking about presentation, explanation of options, courtesy, promptness and payment confirmation.

Calvin supplements the call by mailing a simple, eight-question survey checking on the clarity of equipment-use instructions, evaluating the sales and delivery staff and open-ended questions inviting customer comment.

Lastly, his stores have a registry that rewards sign-ins with a small gift. Using the data collected, they make calls to anyone who didn't rent, tracking what those customers wanted but didn't find. This has led directly to expanded jewelry and furniture inventory.

Reichheld likes Calvin's strategy, citing "failure analysis... is a preferred feedback tool especially as it applies to customer defections."

To sustain continuing loyalty, Option Rentals also mails birthday cards, makes periodic "check-up" calls and even has an occasional customer appreciation dinner.

BUILDING A "HAPPINESS GENERATOR"

Stephanie Primm, president of SAM, a Sandpoint, ID,-based marketing and branding firm, has specialized for 20-plus years in "simple and smart marketing for real people doing real business," consulting for national clients from the Fortune 100 and for storefront main street businesses.

She highlights one area of useful "stealth" feedback. "Transaction data is a very real—and often overlooked—type of feedback simply collected at the time of sale. Your marketing strategy should target those customers who are or will be your primary sources of revenue.

"Learn as much as you can about your best customers and make *sure* they're happy. Correct anything making a customer unhappy and focus on building "happiness generators." This is the just the 80/20 rule—80 percent of your business comes from 20 percent of your customers—and will protect your baseline revenues."

Primm suggests moving away from the casual—"I see my customers every week and know them well"—and toward hard facts that may tell a different story. "It's scary how often what you 'know to be true' really isn't," she says.

What types of data does Primm suggest you gather? "Get the profile of who's renting what. Knowing those profiles helps you tailor your messages and focus your marketing dollars. For example, if your highest margins are on case goods, it'll pay you to track who's renting them and proactively targeting that market."

HEADING OFF THE SNOWBALL EFFECT

Another feedback pro is Chuck Kuluva of Kansas City, MO, co-owner of three Rental City stores. During his 15 years in the RTO business, he's come to value feedback as a strong business builder.

One of the two feedback tools he uses is a manager follow-up call immediately after delivery. "I want to know of anything wrong, damaged, missing or that made them unhappy so I can fix it right away. If we can catch problems early, we prevent a lot of problems before they get ugly later. These things have a way of snowballing. I don't want customers out there festering and unhappy and not know about it."

As Primm says, "There's no downside to feedback. It's like going to the doctor. If you're healthy, it's a relief. If there are problems, it's a good thing you went in when you did. It's always better to know than not know how you're doing."

Kuluva's second feedback tool is a letter mailed the day after delivery. "It reminds the customer of when payments are due and it has my name and personal phone number on it. It's a terrific 'early-warning' tool."

Monitoring feedback also alerted him to a profitable trend. "I knew for some time that people were becoming more astute shoppers, but I learned they were willing to pay more—sometimes a lot more—for high-end furniture so we started stocking more."

THE MYSTERY SHOPPER

Feedback can also be gathered indirectly. Since 1990, "Secret Shopper" (www.secretshopper.com) has been one of North America's largest mystery shopping services with more than 250,000 shoppers quietly monitoring live customer service and sharing those findings with clients. Paul Wilson is founder, president and CEO.

Why mystery shopping? "Consistent, classic 'survey research' is way beyond the budget of all but the largest businesses," says Wilson. "Comment cards tend to elicit extreme responses. Only through mystery shopping can

business consistently and reliably measure and improve customer satisfaction."

While direct feedback is cumbersome to gather, sort and classify, mystery shopping frees clients to focus on what they do best. "We can gather the information for them in the most cost-effective method possible and present it in the most user-friendly and useable manner; 24/7 instant Internet access is pretty amazing," says Wilson.

That impressive immediacy gives users powerful responsiveness to service lapses, snags and suggestions while its arms-length, third-party anonymity yields valuable candor.

Wilson tackles the cost question head-on: "Mystery shopping does not cost—it pays. That is why most of



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your strong competitors are doing it. Mystery shopping is your cost-effective answer to, 'What can we do better to obtain more revenue?'"

ADDING A PERSONAL TOUCH

Gathering feedback is a daily activity for Jeff Parish, a 14-year RTO executive who is currently COO of New Vision Rentals' two locations in Oswego, NY. Parish is always looking for "what products people want and what service issues are most important to them."

Killing two birds with one call, New Vision calls inactive customers to gather feedback about any issues they might have had as well as inviting them back. "Sometimes we discover why we haven't seen them recently and also have the opportunity to plant seeds for future business."

Is that effective? "Absolutely. It's an easy conversation to rekindle a relationship. Very few don't repeat. We tell them how important they are to us—and that means a lot to many of our customers."

Feedback also increases loyalty by helping RTOs spot new trends early on. As an example of how feedback can drive new business, Parish developed a new niche selling tires. He isn't alone.

RAISING THE BAR

Keith LaBahn, president of All American Rentals in Ft. Collins, CO, for 18 years, also found himself adding new items to his inventory.

Responding to direct, face-to-face feedback, he's

added high-margin small appliance business (e.g., bread makers), a specialty tools area (e.g., unique shop equipment) and an expanded special-order catalog that's been a big hit spurring repeat business. He's also rented high-profit custom products such as "carpet, a customer's entire Christmas wish list and even lumber and sheetrock for finishing a room."

Loyalty doesn't sprout from the information gathered, rather from the actions taken in response to it. Just ask Bob Eakin, president of Star United Rent-to-Own in Hillsboro, OR, who is a firm believer in "the customer is always right."

He gives credit to his response policy, which is to "take care of *any* problem immediately. I don't care what it is—we take care of it right now. When someone doesn't think

his TV remote works right, we just replace it. Customers aren't too concerned with fine print; they just want a TV that works. That kind of service is worth a fortune in repeat business."

In a similar vein, Option Rental's Calvin credits high retention to "our goal of carrying our customers 'to term.' We want to turn inventory, not customers. Many RTO customers are not financially capable when we first meet. They come in thinking 'I need help' and it's our responsibility to help them stay current so they don't lose what they want. We want to 'marry' our customers long-term, not just get some of their money short-term."

REPEAT BUSINESS IS A TWO-WAY STREET

Retention and loyalty arising from feedback-driven responsiveness is the growing trend. "Repeat negotiations are costly and time-consuming. Repeat purchases are the reward for those who constantly deepen their ties with existing accounts," says Sviokla.

Marketing is shifting away from a one-way monologue to a dynamic dialogue. "The winners use knowledge gained from interaction with customers to innovate, invest in core skills and make excellent products to fill customer needs," says Sviokla.

The future belongs to those who leverage and apply what they learn from their customers. ■

Mike Hetherington is a national speaker, writer and trainer specializing in small business topics.