

# I**n**troduction

Why is it that some businesses fail during tough economies, but others prosper?

It's easy to thrive during good times. When money is pouring in, most businesses can do well without much effort. But when bad times come...many of those businesses will fail, because they haven't learned the secrets of doing business in a tough environment—how to thrive and even expand without increasing spending.

This booklet will share some of those secrets with you. You will learn 12 ways to expand your business, without spending more. These are powerful, proven techniques that have worked for many businesses, so study them carefully. Although not all of them may apply to your business, the more of them you can apply, the better you will do.

Sample:  
Booklet Excerpt

I published a booklet called, “12 Ways to Expand Your Business Without Increasing Spending” for my small-business clients. This sample contains the introduction and third chapter.

# 3 Expand your business by reducing customer attrition

Every year, some of your customers stop doing business with you.

You spent a lot of time and money convincing them to become customers. But now they're gone.

Many businesses lose a large percentage of their customers every year. Most businesses accept this customer attrition as inevitable. But is it?

For some of your former customers, the answer is yes. These are the customers who die, or move away, or no longer need your product or service.

But for the rest of your former customers, the answer is no. They are either purchasing from your competitors, or they aren't purchasing at all at the moment. You could, and should, have prevented many of these customers from leaving.

Think about it. Even if your current customer attrition rate is only 10% per year—if you were able to cut the attrition rate by one quarter (which is quite reasonable, as you'll see), that's 2.5% more sales per year. At the end of four years, you would have 10% more sales per year, every year, than you otherwise would have had. Even preventing just one customer from leaving per year will expand your business without spending additional money on marketing.

What are the primary reasons that customers leave? Poor service, or a bad experience. According to a survey by the Research Institute of America for the White House Office of Consumer Affairs, 68% of customers who stop doing business with an organization do so because of perceived indifference from that organization. In other words, over two-thirds of the customers who leave you feel that you, or your employees, don't really care about them as people, or as customers. The survey also said that a full 90% of the customers who are dissatisfied with the service they receive won't return to your business.

This is good news, in a sense. You can drastically reduce customer attrition by providing better customer service. In fact, the survey also said that of those customers who complain, 54–70% of them will continue to do business with your organization if their complaint is resolved. This number goes up to 90% if the complaint is resolved quickly.

So, resolving complaints quickly is a powerful technique for reducing attrition. Therefore, you should have a system in place to accept customer complaints and immediately try to resolve them. This should allow you to retain at least some of these customers.

However, the consumer survey also revealed that only 4% of customers who are unhappy will complain. This means that for every customer who complains, there are 24 others who are similarly unhappy but do not complain. And remember, 90% of the customers who are dissatisfied probably won't return. This is a sobering statistic.

How can you stop this flow of customers from leaving you, since you don't even know that they are unhappy? Being receptive to customer complaints, and solving them, in the short term can only "rescue" the 4% who complain. But in the long-term, it allows you to see *why* your customers are complaining. With each complaint, your initial emphasis should be on making that customer happy. But you should also record each complaint as you receive it, so you can analyze how the problem situation occurred in the first place. Thus, you can make changes to prevent these situations from happening again. Long-term, this can reduce the number of unhappy customers overall—not only the ones you hear from, but also the ones you don't.

If you still aren't sure how important it is to keep your customers happy, do an Internet search for a document called "Yours Is A Very Bad Hotel." In November 2001, two consultants arrived at a Houston hotel at 2 A.M. with "guaranteed, confirmed" reservations, only to find that the hotel was full. Angry about the "insolence plus insults" (and no room) that they received, they later sent the hotel management a 17-slide PowerPoint presentation explaining what had happened, why they were

upset about it, how much revenue the hotel was now going to lose from their company, and a nice chart of “The Career Path of Night Clerk Mike” (showing how his career was currently peaked at “Rude Hotel Clerk,” and that his destiny was to be a “Septic Tank Cleaner”). This presentation is now all over the Internet, giving the hotel chain in question a very bad image.

Of course, your overall goal should not be merely to prevent customer dissatisfaction. You should be striving to delight your customers in every way possible, so that they *couldn't* go anywhere else. Many businesses have realized how powerful this idea is. For example, Denny Hatch and Don Jackson tell the story of a friend who bought a new Lexus. On the drive home from the dealership, he was enjoying the luxurious drive and plush interior, and decided to turn on the radio. It was tuned to his favorite classical-music station. He punched another button, and his favorite news station came on. Another button produced his favorite talk station. Indeed, all of the buttons were programmed to his specific taste. He was astounded.

How did the dealership accomplish this? A dealership technician noticed which stations were programmed into the radio of his trade-in, and programmed them into the radio of the new Lexus as well. This is a business that tries not only to satisfy their customers, but to *delight* them. Do you think this business has a problem with customer attrition? No, they have the opposite situation—their customers are so pleased that they are out telling stories, such as the one above, to their friends! And which dealership do you think that their *friends* are now inclined to choose?

Too many businesses take their customers for granted. Don't be like the physician who was overheard referring to his patients as “bodies”! Take time to listen to and resolve customer complaints, and try to prevent the problems from happening again. Then go even further and do everything you can think of to please and delight your customers. Many businesses have found that an increased emphasis on customer service has dramatically increased their sales as well.