



Inspire White-Hot Customer Loyalty

How Customer Retention Impacts Your Bottom Line

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EXECUTIVE SUMMARY

Customer acquisition is an endless hamster wheel that leads to customer churn, and inefficient marketing spends.

Yet most business leaders focus energy and attention on customer acquisition. Making the register ring gets translated as "get new bodies in the door."

The key to business growth a focus on customer retention, and the key to retention is through creating a customer-centric environment. When customers feel seen, heard and valued there is a direct impact on their loyalty to the business.

Customer experience provides a sustainable business pathway for improving sales and profitability - without overwhelming staff and leadership. This approach has been used effectively in high-end, high-touch industries where there are few barriers to exit for customers – notably in retail, hospitality, and services.

The results?



Sustainable growth of 35% in bricks-and-mortar environments within 90 days, and up to 500% revenue increases in manufacturing disciplines.

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INTRODUCTION

Business leaders often see customer acquisition as a significant challenge in their businesses, and seek strategies to bring new bodies in the door as a tool to drive growth. Business leaders who cite customer acquisition as their biggest challenge are often missing the problem, and the opportunity.

Deeper assessment reveals that, in fact, new customer acquisition is not the most efficient way to grow for many businesses.

Whether it's in retail, manufacturing, services, or other high-end, high-touch corporate environments, focusing resources on customer acquisition can be both inefficient and expensive.

Refocusing on customer experience, however, yields greater results on numerous fronts - from revenue and profitability to employee engagement/retention and even drivers of satisfaction in business leaders.



Customer experience is the tool forward-looking leaders are increasingly turning to as a driver of business growth and results.

“Bricks and Mortar retail client environments have seen sustainable revenue gains of 35% within 90 days, and client manufacturing companies have grown by as much as 500%.” – Ali Cudby

Customer experience leaders also outperform the market. The power of customer experience as a driver of business results can be seen across the S&P 500, with customer experience leaders significantly outperforming the market and - even more telling - laggards underperforming the market to an astonishing degree.

NEW CUSTOMER ACQUISITION IS EXPENSIVE

Businesses often focus on growth through new customer acquisition when they want to increase revenue. However, growing by attracting new customers is an expensive proposition in comparison to customer retention initiatives.

It is 6-7 times more expensive to acquire a new customer than it is to keep a current one.

(Source: White House Office of Consumer Affairs)

New customer acquisition is expensive, in part, because companies have to convince a new customer to try a business for the first time. The proliferation of marketing messages means it's harder to cut through the clutter with customers in order to get them to know, like and trust a new business in order to try and, ultimately, buy.



Historically, in marketing there has been a “Rule of 7” that suggests a potential customer needs to be exposed to a company’s message at least seven times before being willing to try and buy. The Rule of 7 was created in the 1930s.

Jay Walker-Smith from Yankelovich Consumer Research shares, "We've gone from being exposed to about 500 ads a day back in the 1970s to as many as 5,000 a day today." That means a change in consumer behavior.

In today’s business environment – with marketing messages hitting consumers in more avenues than ever – the number has shifted. The “rule of 7” is conservatively more like the rule of 15. The result is it takes more than double the number of messages to get a customer’s attention – and that means more than double the marketing revenue.

When companies focus on a customer-driven culture, led by the customer experience, they don’t have to constantly churn out new customers. They can focus on driving revenue and profitability through the customer base they have already attracted.

Customer experience, when used effectively, can be the single greatest driver of positive change in organizations.

The real opportunity for growth in high-end, high-touch business environments is in focusing on customer experience.



CUSTOMER RETENTION INCREASES PROFITS BY UP TO 95%

When companies shift their focus from acquisition to customer experience they get multiple benefits.

While companies have a 5-20% probability of selling to a new prospect, they enjoy a 60-70% probability of selling to an existing customer. More efficient selling means more buyers are satisfied. (Source: Marketing Metrics)

There is also gain when employees get to focus on delivering service to people who appreciate what they offer. Plus, a higher percentage of customers are actually buying – meaning more revenue for the businesses.

In fact, 82% of companies agree that retention is cheaper to execute than acquisition. (Source: eConsultancy)

According to a landmark study by Bain & Company, increasing customer retention rates by just 5% increases profits by 25% to 95%.

Takeaway: Existing customers are much more valuable for businesses.

So why don't companies focus on retention? Because customer retention strategies often underperform when companies want the benefit of retention without the effort of creating the accompanying customer experience.

In addition to revenue, here are just some of the benefits of increasing retention through an improved customer experience:

- More revenue
- Higher Margin
- Less reliance on paid marketing
- Less discounting



- Shorter buying cycle

Customer experience is the key to creating loyal, repeat clients who become raving fans.

When implemented, a customer experience approach has yielded 35% revenue growth within 90 days, even in stable, bricks and mortar environments.

What's more, consistent application of customer experience strategies provides a compounding effect. Over time, even larger gains stem from recruiting loyalists and implementing programs to retain them.

Three aspects of value are brought into play when customers are converted into white-hot loyalists on behalf of a business:

- 1) Loyalists buy more often
- 2) Loyalists spend more money in their transactions
- 3) Loyalists refer more new customers and become evangelists on behalf of the company.

When customers become loyalists it has a profound impact on the bottom line.

Consider an apparel retailer that focuses on customer experience strategies for growth. The business earns \$50,000 in revenue per month at the outset, with an average transaction value of \$100 and customers who shop once each year, on average.

By converting a minority portion of their customers from average to white-hot loyalists, and applying customer retention strategies consistently for one year, the following shifts are enjoyed by the company:

- 1) Adding incrementally to sales amount in each loyalist transaction
- 2) Adding one additional visit per year
- 3) Adding referrals by loyalist customers



Small incremental shifts have a massive impact on the bottom line.

By applying customer retention strategies consistently, the company's revenue will grow from \$600,000/year to over \$1 Million annually.

FIGURE 1: Revenue Impact of Customer Experience

When customer retention strategies are applied to high-end, high-touch environments, such as retail, there is both immediate and sustained growth. It is important to note these results are achieved without adding marketing expenditures.

Figure 1 shows the impact of making three minor – but consistently applied – shifts in a retail environment over the course of one year.

The three shifts are:

- Average transaction value growth from \$100 to \$115
- 33% of customers buying one more time each year
- 10% of clients – averaged across the customer base – referring one additional customer to the business

Applying customer retention strategies leads to annual revenue growth of 68%



Customer Experience Strategies Create Significant Revenue Growth

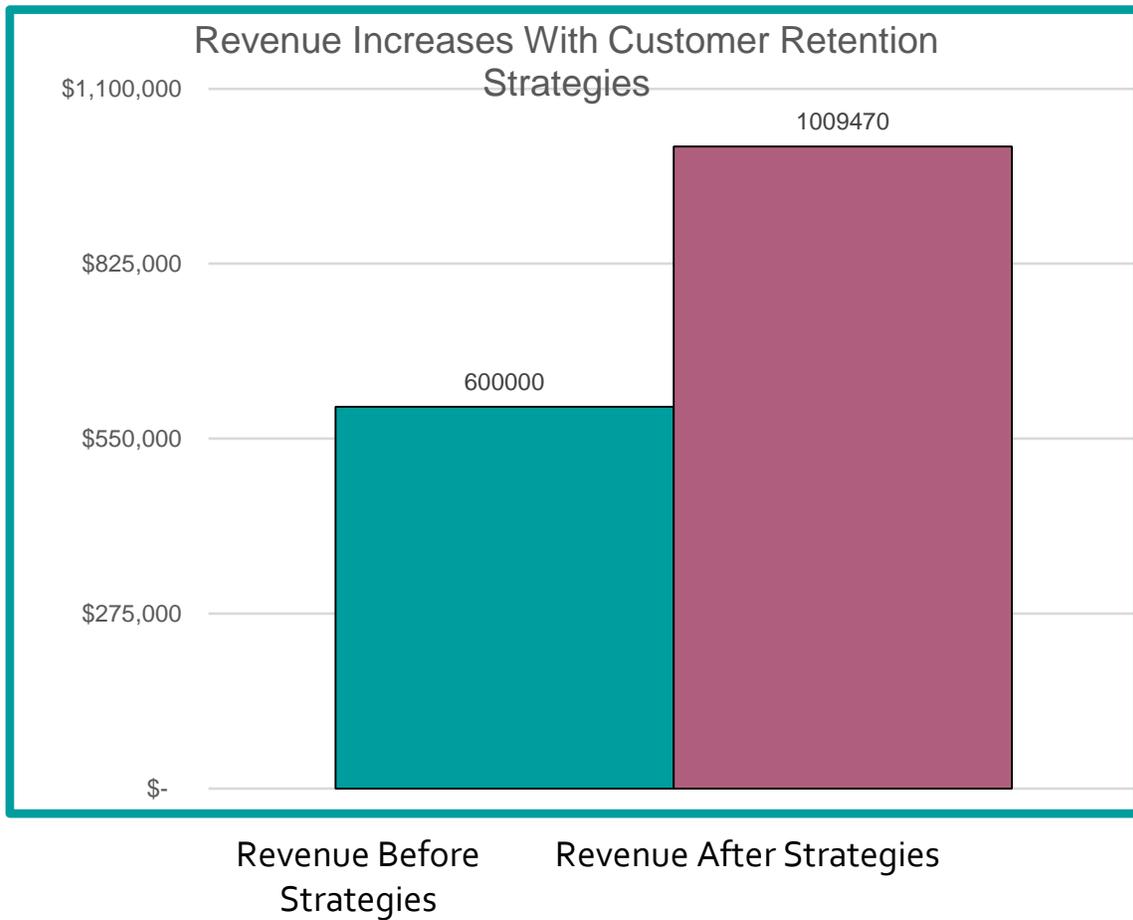




FIGURE 2

Customer Experience Positively Affects Company Value





CONCLUSION

Customer retention is more profitable than new customer acquisition when it comes to driving business growth.

The key to effective customer retention is a focus on an experience that invites customer to become white-hot loyalists of the business.

White-Hot Loyalists react to engagement opportunities in as follows:

- They buy more often
- They spend more in each transaction
- They refer additional customers to the business

When customer experience is mapped onto a company, small steps taken by the business enjoy massive gains on the bottom line.

The customer experience strategies outlined must be tailored to individual clients and their needs. However, they follow a predictive formula that has been used successfully by companies across a variety of industries.

Customer experience is the key to business growth in industries where there are few barriers to exit for customers – notably in retail, hospitality, and services

When companies follow the formula, they enjoy revenue gains of 35% within 90 days, and greater.

FOR MORE INFORMATION

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ABOUT ALI CUDBY



Ali's incredible insights help women business leaders create loyal repeat clients who become raving fans, because when customers find places where they feel seen, heard and valued, they want to go back for more.

The result?

Customers are inspired to buy more often and refer like crazy, while businesses thrive and change customers' lives - and clients enjoy **gains of 35% within 90 days.**

With over 20 years of experience in customer loyalty, The New York Times Company was the first corporation to experience Ali's work after she graduated with an MBA from **Wharton School of Business**. Her skills were honed further at Golf Digest, Animal Planet TV Network, and then as an award-winning entrepreneur.



As Founder and CEO of Fab Foundations in 2010 and subsidiary Your Iconic Brand, Ali's expertise has been featured on all the major TV networks and print in Cosmopolitan Magazine, Essence Magazine, Daily Candy, Huffington Post, Yahoo!, and numerous others.

"More than anything, I owe this business to my lousy bra." - Ali Cudby

Ali continues to share, "After having a transformational bra fitting in 2004, I created a unique methodology for the art and science of bra fitting, called the BUSTED formula. My formula became the basis of a book, *Busted! The Fab Foundations Guide to Bras That Fit, Flatter and Feel Fantastic*, which **remained on the bestseller list for a year after its publication** in 2011."

The BUSTED Formula is also the basis of the FabFit™ Academy, the **premier global bra fit certification program**. The FabFit™ Academy has trained and certified professionals on 6 continents (and is actively seeking any bra fitters on Antarctica).

Fusing her corporate background and her insights into consumers gained in the Intimates industry, Ali developed an innovative system for customer retention. Today, Ali is committed to using that approach to help women leaders and organizations create raving fans, repeat customers and extraordinary profits. She serves on the executive board of the **University of Pennsylvania's Trustees Council for Penn Women as the Chairperson of the Leadership Committee**, and in her spare time you can find her in the pottery studio.

WHAT CLIENTS SAY



“Ali’s training and coaching was instrumental in morphing our Bare Necessities Customer Service Representatives. This course will help you connect deeper with your customers by assessing and then filling their need.

It will make your customers come back for more!”

Laura Burke – Director of Customer Service, Bare Necessities

“I always have had the desire and the passion to succeed. What I needed to truly excel were the tools that Ali provides. The biggest thing I’ve achieved since working with Ali is finding balance between work and leisure. Now I can excel at both. And when you can excel on every level, the money will come. Ali can give you the recipe to succeed. How far you take it is totally up to you!”

Cheryl – Apparel Retailer

*“Not only did this program with Ali help me focus on what I need to do in 2015 to reach my goals, it really energized and motivated me to dig deeper and reach further. **Do not hesitate to sign on with Ali.** You will elevate yourself and your business to new heights, and have a great time doing it!”*

Linda – Bespoke Apparel Manufacturer