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Wednesday

Morning

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Losing Some Customers May Be Profitable

Atlanta-based Grizzard creative director Michael King recently wrote in DM News that retaining just 5% of your best customers – instead of trying at all costs to keep every existing client – can increase your profits by 95% and more.

He says that it just makes financial sense to concentrate on keeping your best customers – who, Arthur Andersen research shows, are worth 19.5 times more to your business than your run-of-the-mill purchaser.

He says that five touch points help identify highly profitable customers:

■ **Targeted Attractions**

“In the department-store arena, for example, high-value customers might be more attracted ... by a charity event such as a fashion show or movie premiere than by advance notice of a sale or newspaper coupons,” King writes.

■ **Personal Attention**

High-return customers, King says, are influenced by services that indicate knowledge of and respect for their preferences. They tend to be less impressed by mass mailings.

■ **Purchase Convenience**

Top-drawer customers react favorably to services that save them time, such as high-speed checkout lines in retail stores and special fast check-in lines at ticketing counters.

In the telecommunication industry, for instance, “high-value wireless customers have been found to prefer

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having their phones personally delivered to them ready to use, with favorite ring tones and frequently used numbers already installed.

■ **Preferential Treatment**

Retail high-priority customers, King says, value same-day alterations or sales clerks willing to hunt down clothing in their sizes. They care considerably less about ease of order return and the availability of 24-hour service.

In the insurance business, he notes, low-value customers often expect time-consuming, profitability-draining personal attention from agents. Highly profitable customers, on the other hand, want detailed policy information.

King advises directing bottom-rung customers to a dedicated interactive Web site. And using the time that saves for agents to develop in-depth documentation for top clients.

■ **Retention Hot Buttons**

In the telecom industries top customers want to feel that they are up to date on the latest phone technology.

Retaining such customers may involve offering them special upgrade programs every 18 to 24 months.

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(7.7.04)