

Forgetting to Look for New Customers

Every business loses customers. No matter how much effort you put into customer retention, you will lose some. They will die or move away. If you're a business-to-business supplier, some of your customers will go out of business. No matter what product you manufacture or service you provide, some people will stop needing it. So it's essential to keep prospective customers in the pipeline.

Top marketers know that customers stop doing business with you for 5 primary reasons: Some simply aren't there (they move, get promoted, quit, transfer, or die), while others change to another supplier on the recommendation of a friend or business associate. There's not much you can do about either of those reasons.

A few may switch because your competitor has a true competitive advantage; you can sell against this, but only for so long. Some will leave because of dissatisfaction with your product or service; spot this problem early enough and you may be able to retain the customer.

But the number one reason customers leave is one you can change: Little or no contact, indifference, missed dates, budgets off target; in general, a lack of caring.

My favorite marketing guru and good friend, the late Ray Jutkins, said that nearly 70% of all lost business resulted from that last reason. Still, even if you and your employees make the company so attractive that nobody ever leaves from lack of caring, you'll still lose customers from the 4 other causes.

New Customers: Direct Marketing

Unlike regular advertising and unlike public relations efforts (both of which are essential), direct marketing is measurable. You know how many people a direct marketing campaign touched. You know how many of those people responded to the message. It's an exact science, but it's one that many businesses don't use, misuse, or use ineffectively.

Direct marketing has been compared to a rifle shot because it can be precisely targeted. Direct marketing can do 5 things, but only one at a time. Try to make direct marketing multi-task and nothing will be done very well.

The 5 tasks that direct marketing can perform include obtaining new customers, keeping the customers you already have, upgrading your current customers, cross-

selling your customer base, and convincing your customers to come back for more of what you have to sell. You'll understand immediately why a single effort won't work for multiple purposes if you consider the type of message that would be needed to attract new customers versus the message you would use to bring existing customers back for more.

The tasks can be seen as part of a continuum as people move from being suspects (people you think would buy your product or service) to prospects and then to customers. Customers can be developed into clients; the distinction between *customers* and *clients* is that clients deal with you regularly. A client reaches the final step in the continuum by becoming an advocate; these people not only buy what you sell, but they also encourage their friends and associates to buy. This is the gold standard of advertising, by the way: *Word of Mouth*.

If you're not familiar with the term *cross selling*, Ray Jutkins used it to mean selling additional products or services to your customers. The more a customer buys from you, the less likely that customer is to leave. Here's an example from the banking industry: Customers who have a checking account can't be counted on to stay. The odds of keeping a checking-account-only customer are a little less than 1:1 according to some industry metrics.

If the customer has just a savings account, the odds are better—in the range of 2:1 to keep the customer. But the numbers really start to favor the bank if the customer has checking and savings accounts (10:1), checking and savings accounts with a loan of some sort (18:1), or both kinds of accounts and a loan and a safe-deposit box (100:1). If you have a safe-deposit box, it's going to be difficult for any other bank to win your business.

8 Reasons for Direct Marketing

Despite its capabilities, direct marketing isn't always the best choice for communicating with customers. Standard advertising is far more effective when you need to build general market awareness, particularly if you don't know exactly who your suspects and prospects are. Public relations initiatives are the right choice when you need to communicate with the news media, government agencies, employees, and the public.

Physicians examine information about a new medicine to determine what conditions are appropriate for prescribing that medicine, but they also look at the *contra-indications* section to learn when prescribing a particular drug would be inappropriate. If you're considering direct marketing, you need to perform a similar analysis.

At least 8 conditions exist that call for direct marketing. The first 2 are essential for any direct marketing effort to succeed: First, you must be able to clearly identify your target audience and, second, you must be able to reach that audience. If either of these is false, don't even consider direct marketing.

Direct marketing is strong when you have a lot to say about your product or service. For example, you've probably received some multi-page direct-mail letters. Ray Jutkins used to say, "No message is too long, but any message can be too boring." In other words, if you have a compelling story that's of interest to your audience and you tell the story well, people will read it.

Another strong indication for direct mail is a product or service that has a continuity component, either through repeat sales or add-on sales.

If you need to control the selling message or process, direct marketing is a good choice. Likewise, when you want to build a predictable model that can be re-used with other audiences. Because direct marketing is testable and results oriented, repetition is a key advantage.

Some products or services simply don't fit standard distribution channels. Selling direct is the way to go.

The final indicator may be a surprise: When you want *less* visibility in the marketplace. Direct marketing is an excellent medium if you need to test offers or prices, or when you're conducting early marketing research that you don't want competitors to know about.

MUCH OF THE INFORMATION IN THIS ARTICLE IS BASED ON *POWER DIRECT MARKETING*, A BOOK THAT RAY JUTKINS WROTE IN THE 1990S. ALTHOUGH TECHNOLOGY HAS CHANGED SOME OF THE METHODS USED TODAY, THE UNDERLYING PRINCIPLES AND PHILOSOPHY REMAIN VALID. I PLAN TO CONTINUE THIS THEME NEXT MONTH AND LOOK FORWARD TO YOUR COMMENTS. **B**

Windows 7 Arrives

I'm one of those kooks who think that anyone who bought any version of Vista and lived with it for the past couple of years should get an automatic and free upgrade to Windows 7 Ultimate. I also think that Microsoft should offer only one version for workstations (Ultimate) and one version for servers. Instead, Windows 7 will be available in 6 editions, although only Home Premium, Professional, and Ultimate will be available for retail sale in most countries.

Regardless of the price, Windows 7 is the right operating system if you're a Windows user. The code has been released to OEMs and boxes will be on store shelves in a little less than 2 months.

After the boondoggle that was Vista development and the problems Vista caused for users, Windows 7 shows that Microsoft can deliver a good product on time.

You can buy Windows 7 now, but you won't receive it until after October 22nd. If you're willing to settle for the Home Premium version, a license for \$150 can be installed on 3 machines.

Apparently there's excitement in the marketplace, or possibly just extreme frustration with Vista. At the UK branch of Amazon.com, pre-sales of Windows 7 exceeded, in just 8 hours, the sales of Vista in its first 17 weeks.

I've been running the Windows 7 Release Candidate for the past several months on a notebook computer. Although it's stable, I haven't installed it on the desktop system because upgrading from XP to Windows 7 requires formatting the disk drive and reinstalling everything. I'm waiting for the final version to do that.

Looks Good; Sounds Good

There's lots of eye candy: Windows 7's user interface is quite attractive. But there's ear candy, too, with 13 additional sound schemes from Afternoon and Calligraphy to Cityscape and Festival, Quirky to Raga, and Savanna to Sonata.

A beta version of Virtual PC is available for Windows 7 Professional and above. This allows the user to run more than one Windows environment, including Windows XP Mode, on a single machine. XP Mode may help with applications that cannot be run in Vista today.

As important as what's in the new operating system is what you can turn off if you don't want it. If you don't want to use Internet Explorer, Windows Media Player, Windows Media Center, Windows Search, or the Windows Gadget Platform, you can turn them off.

One of the biggest changes, and one that took a little getting used to, is the absence of the Quick Start section of the Task Bar. Instead, you can pin applications to the Task Bar. If you've used Office 2007, you'll recognize this as similar to pinning a document to the File menu. Pin an application to the Task Bar and its icon will be there permanently. Mac users will recognize this behavior from the Dock. At first, I thought I wouldn't like this, but I find that I miss it when I'm using the desktop computer, which is still running XP.

There's a mysterious rectangle at the right edge of the Task Bar. Hover the mouse there and all applications turn transparent so you can see the desktop. Click it, and all programs minimize. A second click restores everything.

During the 2 years or so that I tried to learn how to live with Vista, the shutdown process would sometimes take 10 to 15 minutes. The Windows 7 shutdown process is even faster than XP's. It's still not as fast as a Linux shutdown (10 seconds or less), but it's far better than with Vista.

The Windows 7 Release Candidate is no longer available for download, but you can still obtain a license key until the day before Windows 7 ships. The Release Candidate will expire on June 1, 2010. If you haven't installed a licensed version of Windows 7 by then, your computer will stop working. **B**