

# Customer Retention by the Numbers

By Debbie Frakes, Winsby Inc.

Machinery dealers know it is far more expensive to find new customers than to keep the ones they have. Yet, relatively few have formal programs to **KEEP THE CUSTOMER**. The cornerstone to Customer Retention is a good service-level monitoring effort. Once the entire organization is focused on providing excellence in customer support, a program to monitor service and support levels in each department should be put in place. The primary reason to monitor customer service is because most unhappy customers will not complain. **They Just Go Away!** One recent national survey by a machinery manufacturer indicated that overall, its dealers were aware of only one in seven major customer problems! The secret to Customer Retention is to catch issues and questions far before they become problems.

## What's an Easy Way to Keep Your Customers Buying from You Longer?

To understand the challenges equipment dealers face in their businesses, Winsby analyzed over nine years of invoices for more than 150 equipment distributors. Included were over 450,000 customers and in excess of 15 million transactions. We were looking for patterns and for ways to reverse any that resulted in negative growth.

### Length of time as a customer

First, we looked at how long customers had been doing business with the equipment dealers. The data varied significantly, depending on how it was sorted.

51% of the total number of customers were doing business with these machinery dealers for less than one year:

#### By the number of customers

<1 year	51%
1 – 2 years	20%
>2 years	29%

56% of machinery dealer transactions were with customers who were doing business for over two years:

#### By the number of transactions

<1 year	23%
1 – 2 years	21%
>2 years	56%

58% of total revenue was with customer who were doing business for over two years:

#### By revenue

<1 year	25%
1 – 2 years	17%
>2 years	58%

### ***The Lesson***

A lot of new customers are coming through the door every year. If you can just hold onto them for two years, they are positioned to make a huge contribution to your business.

### **Customers purchase more every year**

The next question we had was, “Is it worth the effort required to keep a new customer?” Do their purchases increase the longer they are a customer, or do they keep buying parts and not much else? Here are the average increases in purchases over year 1 for each category:

#### **Parts**

Year 2	Purchase 100% more often, generating 120% more in revenue
<b>Year 3+</b>	<b>Purchase 380% more often, generating 460% more in revenue</b>

#### **Service**

Year 2	Purchase 190% more often, generating 70% more in revenue
<b>Year 3+</b>	<b>Purchase 250% more often, generating 310% more in revenue</b>

#### **Rentals**

Year 2	Purchase 150% more often, generating 40% more in revenue
<b>Year 3+</b>	<b>Purchase 380% more often, generating 810% more in revenue</b>

#### **Equipment**

Year 2	Purchase 20% more often, generating 30% more in revenue
<b>Year 3+</b>	<b>Purchase 140% more often, generating 190% more in revenue</b>

### ***The Lesson***

In a word, YES, it is definitely worth the effort to keep those new customers because they do buy more every year. By the third year, the purchase patterns skyrocket! Moreover, 90% of dealer equipment unit sales are to existing parts and service customers who perceive their dealer as their preferred vendor. Expanding and increasing aftermarket sales to happy, existing accounts is directly related to increases in equipment sales.

### **What can you do to keep customers coming back?**

Next, we looked at various activities to try to identify something that dealers with higher retention rates were doing that the dealers with more **customer volatility** were not doing.

The one activity that correlated closely with higher customer retention rates was conducting customer satisfaction surveys. Here are the differences in retention rates and growth for the two groups:

#### **Retention rate**

Conducting surveys	64.1% retention
Not conducting surveys	53.5% retention
<b>Difference</b>	<b>20% higher retention with surveys</b>

### **Growth rate in number of customers**

Conducting surveys	7.0%
Not conducting surveys	4.7%
<b>Difference</b>	<b>49% higher growth with surveys</b>

### **Growth in revenue**

Conducting surveys	43.7%
Not conducting surveys	19.6%
<b>Difference</b>	<b>123.0% higher growth with surveys</b>

### **How it works**

These results are based on Winsby's methodology for conducting customer satisfaction surveys. We receive each equipment dealer's invoices each month, then call customers and ask them a series of questions about their experience with the dealer, depending on the type of purchase.

This process is also used to verify and update contact information on every call. This essential function ensures you are properly managing customer expectations and responding immediately to unhappy customers. (Remember, unhappy customers usually won't take the initiative to complain. They will just go away.)

Survey results are fed into an online portal that is password protected. You can log in to view the results for a designated timeframe.

If we receive a negative score or a negative comment, which can also impact retention, we will email it to the dealer as soon as possible. It gives everyone an opportunity to address the problem and make it right. We see customers with issues often become extremely loyal simply because the dealer cared enough to call and resolve the problems.

If you'd like more information on our process, please contact us at [info@winsbyinc.com](mailto:info@winsbyinc.com). The cost of conducting these surveys is a small price to pay for a very impressive impact on your revenues!

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