

## **Build Your Customer Base**

### **By focusing on these 6 metrics**

The key to maintaining the health of your business over the long term is retaining your current customers, expanding sales of all products and services to existing accounts, and maintaining a consistent lead flow to convert new prospects. In other words, the way to build your customer base is to consistently focus on retaining and engaging them.

Achieve business growth and health by focusing on these six core drivers:

1. **Retain** your customers to drive growth
2. **Referrals** from your customers make it easy to grow
3. **Lead Flow** is key to growth
4. **Convert** prospects predictably
5. **Engage** your customers
6. **Measure and Forecast** results

### **Retain your customers**

Customer retention measures the percentage of customers that purchased within the last 12 months that also purchased within the prior 12 months. The average customer retention of a business is 95.5% per month. Although that number may sound great, what it actually means is that you are losing 4.5% of your customers each month. After a year goes by, you've lost 54% of your customer base.

Long term retention is critical. For the equipment dealers we work with at Winsby Inc., the revenue that each customer generates skyrockets when they go from year two to year three of working with you. Customers purchase 2.9X more equipment, 9.1X more rentals, 4.1X more service, and 5.6X more parts in the third year.

The question is how can dealers increase their customer retention? The answer is simple: find out why they are leaving.

- **Conduct customer satisfaction surveys**, using the NPS® methodology
- **An outside group calling your customers** will elicit *candid* comments
- **Follow up on any score below 10** and any negative comments
- **Surveys provide specific feedback**, so you can fix problems quickly

Dealers we work with see 20% higher retention, 49% higher revenue, and 123% higher growth when they conduct customer satisfaction surveys. By calling an unhappy customer at the first sign of an issue, you greatly increase the chances of assuring they stay with you. You can figure out the problem and fix it!

### **Boost internal referrals**

Focusing on internal referrals means making sure your customers are buying *everything* from you—parts, service, rentals, and equipment. You want your different departments to refer customers to other departments. If they come in for service, then it's up to the service team to make an excellent impression and do great work, so that the customer comes back in the future for

service. And then the next time they need a rental, parts, or new equipment, or they have an issue with their current dealer, you will be top of mind.

Here are ways to increase internal referrals:

- Understand customers' expectations—turnaround time for parts and equipment deliveries and service protocols.
- Then, you can meet expectations, or manage them if meeting them isn't possible
- Always call the customer with updates before they contact you

Key to internal referrals is understanding where revenue and profit come from for equipment dealers. Parts and service typically represent 28% of revenue but 60% of gross profit, while new and used equipment represent 50% of revenue but 23% of gross profit. The big ticket items are not necessarily the most profitable, which is why it's extremely important to develop all parts of your business and refer customers from one department to another.

### **Lead flow and converting prospects predictably**

Before you can retain or refer customers, they have to be customers in the first place. That means having a steady flow of leads that you can put into a system to consistently convert. Here are the steps you can take to accomplish both of these tasks:

- Contact and engage customers at risk—anyone that hasn't purchased in over 8 weeks
- Find your best target customers by industry using SIC codes and by geographical location
- Collect emails for decision makers in your target companies
- Call customers and prospects to confirm decision makers' emails to expand your list and keep it current
- Send emails at least twice a month and show all your capabilities: parts, service, rentals, new and used equipment
- Identify website visitors and call to engage them
- Distribute leads to your sales reps automatically

You need enough prospects to replace the 5% of customers that are typically lost each month. Your prospect list must be at least as large as your customer list and increase by at least 5% each month to cover the lost customers. You have to add prospects each month and then send emails regularly in order to turn them into customers. Once they are customers, you need to keep sending them emails in order to remind them to purchase from you and tell them about all of your capabilities: **machines, service, parts, rentals.**

### **Engage your customers**

In addition to sending emails regularly and conducting customer satisfaction surveys, one of the primary keys to growth for any dealership is always being available. It might sound simple, but when customers call, you need to answer your phone. When they ask for something, always say yes. Your team has to make your customers' challenges their own challenges. Offer what customers need, and always have the mentality of "I'll figure it out" if you don't know something.

### **Measure and forecast**

This final driver brings the first five together. In order to make sure everything is on track and that your emails, customer satisfaction surveys, internal referrals, and sales reps are working together to grow your business, you have to measure their effect. At Winsby, we forecast the growth of active accounts for the next 12 months based on patterns during the past 36+ months, organized by branch and department.

By understanding where your business is heading with a 95% level of accuracy, you can make the necessary changes and implement the measures we discussed to experience sustained growth.