

## **Customer Loyalty dictates your profitability & sustainability**

Profitability has a huge positive correlation to loyalty and many business owners don't fully appreciate how much the loyalty levels of their customers and employees affect their profitability and growth.

In its simplest form "***Profit = revenue less expenses***". To maximise profits and growth business will traditionally focus on 2 things - maximising revenue and minimising expenses. So let's look at how improving loyalty impacts these 2 actions.

**Let's start with revenue** - Overall loyal customers stay longer, buy more and refer more which results in increased revenue and profit. Compared to an "average" customer a loyal customer is:

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- 7 times easier to sell & cross sell to.
- 5 times as likely to repurchase from you
- 5 times as likely to forgive a mistake
- 4 times as likely to refer
- 3 times more spent each time.

**Expenses wise** - Compared to an "average" customer a loyal customer:

- Is **9 times** cheaper to maintain & support.
- Is easier to sell to - the probability of selling to an existing customer is **60 – 70%**, the probability of selling to a new prospect is only 5-20%. Yet 70% of marketing budgets are spend on trying to acquire new customers!
- It costs **6–7 times more** to gain a new customer than keep an existing one.

**Reducing your customer "loss" rate by just 5% can:**

- Increase profits by **5 – 95%**
- Have the same effect as decreasing costs by 25%
- Result in 15% increase in the value of your business



**And that is just for your external customers**

The figures are just as impressive for your internal customers (aka your employees) as well! The following are some of the main benefits businesses with more loyal and engaged employee enjoy over businesses with less loyal and engaged employees:

- 25-65% lower employee turnover
- 28% less shrinkage (aka thief)
- 21-43% higher productivity
- 37% lower absenteeism
- 41% less quality incidents (defects)
- 48% fewer safety incidents
- Also replacing a lost employee costs between 150% - 400% of their annual salary

We can help you achieve sustainable financial success and a lasting competitive advantage.

To find out how contact us - Ph: (021) 975-901, E-mail [david@profithub.co.nz](mailto:david@profithub.co.nz), Web: [www.profithub.co.nz](http://www.profithub.co.nz)

**And then there's innovation and quality.**

Both loyal customers and employees come up with new ideas and identify improvements and efficiencies within your business or your products / services. This improves your product / service, your businesses competitiveness and further increase revenue and reduce costs.

**Improving loyalty isn't optional or aspirational – it's essential**

**If you don't your customers and employees will leave you! – for your competitors.** And that will severely dent your changes of staying in business. Remember you need your customers more than they need you.

**Why customers leave**

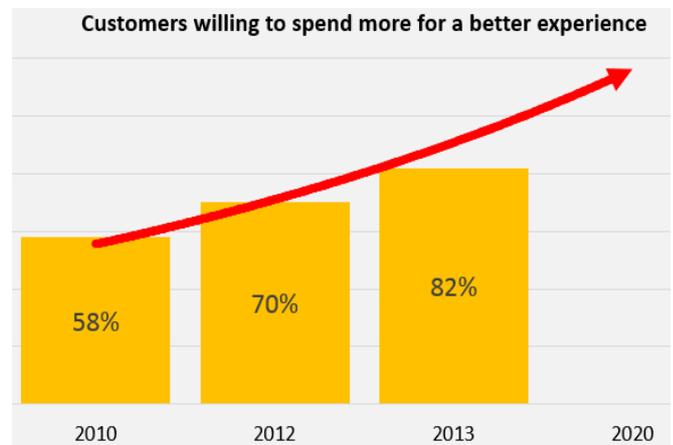
- Bad experiences, not price, is the main reason customers leave a business for a competitor – In fact 26% leave because of price, 74% leave because of a bad experience
- A customer is 4 times more likely to defect to a competitor if the problem is service-related than price- or product-related.
- 70% of buying experiences are based on how the customer feels they are being treated.
- 96% of unhappy customers don't complain, 91% of those will simply leave and never come back.
- 86% of customers leave after 2-3 bad experiences, 37% after just one

**And they will talk**

A dissatisfied customer will tell between 9- 20 others (excluding social media) about their “unsatisfactory” experience. 66% actively discourage others from dealing with that business.

**The foreseeable future**

**By 2020 customer loyalty and experience will overtake price and product as the main differentiator for businesses.**



**When you boil it all down – “no customers = no business” – don't let that happen to you**

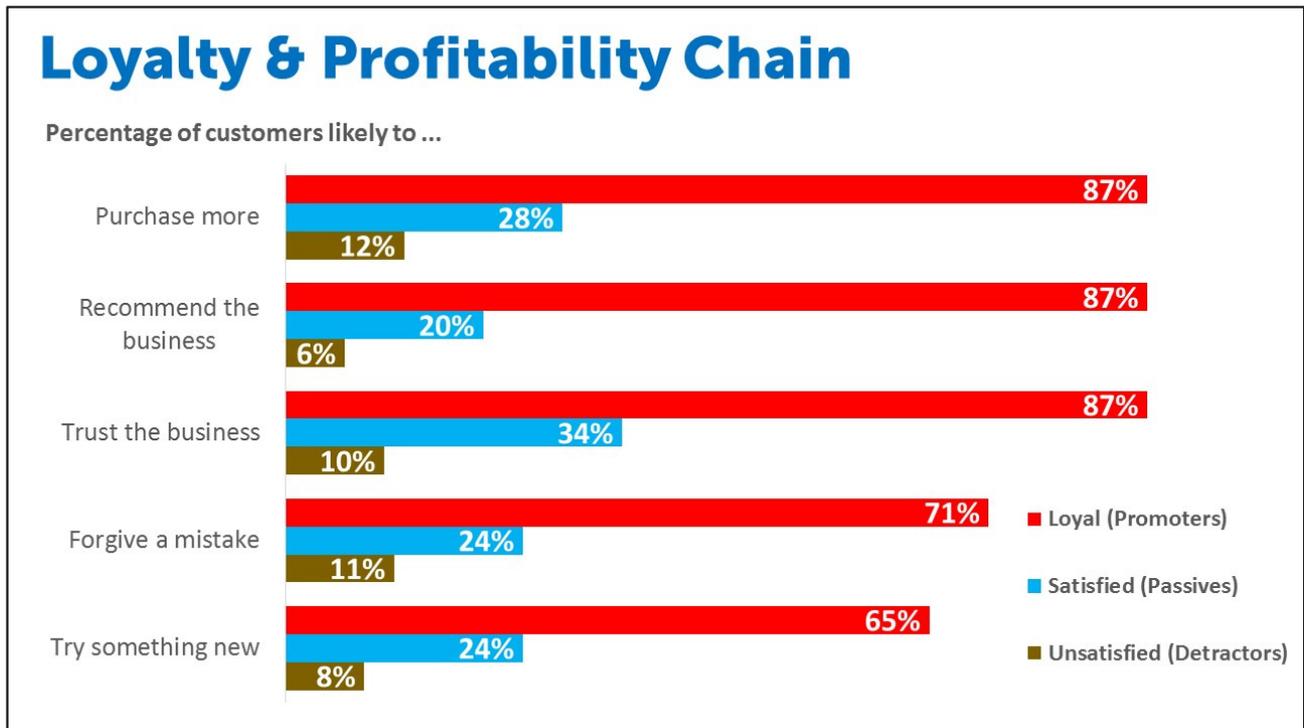
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## Customer Loyalty dictates your profitability & sustainability - UPDATE

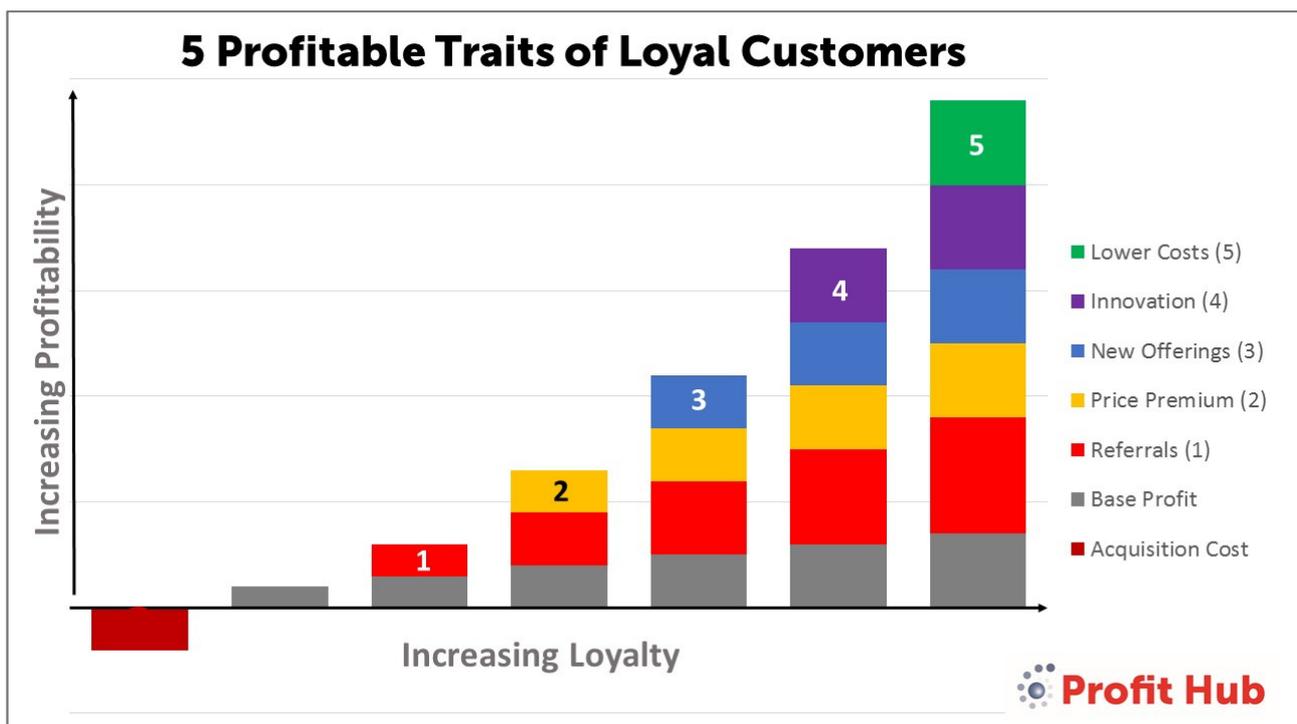
An update to our earlier article published earlier this year

Further proof that loyalty and financial results are highly connected and that an increase in loyalty does lead to an increase in profitability, growth, business value and sale price.

The following are the results of a recent Tempkin Group survey.

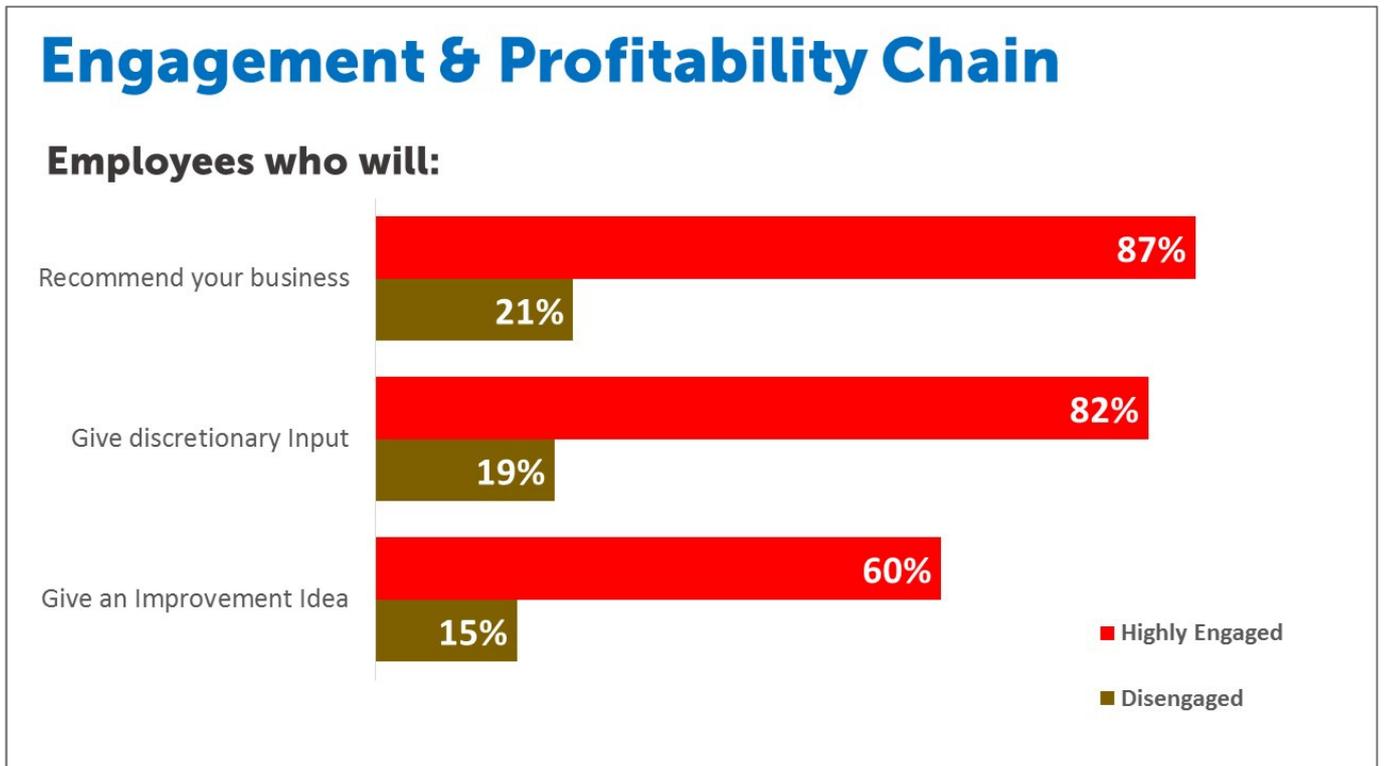


These increases in financial results come about mainly due to the



## But wait there's more ...

The financial gains aren't just limited to your external customers, increasing your employees levels of engagement also bring about large financial rewards as the following graph highlights



## Wondering what the above improvements could mean for your business? Then why not calculate them and find out?

Contact us for a copy of our simple exercise called the “*Power of One*” which will quickly show you the positive impact that improving the loyalty of just one customer could have on your bottom line - the results will surprise you – hugely! PS – this calculation can be as simple or complex as you want to make it.

Once you have seen the huge financial benefits, you will likely want to start work on achieving these sustainable results from improving customer and employee loyalty & engagement – and this is where we can help

**So call us now for a no cost, no obligation, no hard sell chat – guaranteed!**



- ✓ Customer Experience specialists
- ✓ Business Culture, Employee Engagement
- ✓ Trained & Certified NPS2® / Net Promoter Score® professional

Contact Dave Espiner on 021 975-901 or [david@profithub.co.nz](mailto:david@profithub.co.nz) or visit [www.profithub.co.nz](http://www.profithub.co.nz)