BUILDING CUSTOMER LOYALTY

A modern business often ignores their best prospects for generating new sales. In fact, the greatest potential for growth can usually be found in customers who are already doing business with them.

"Many companies undervalue their most important assets, their existing customers and their employees," says Charles M. Farkas, senior partner at Bain & Company, an international management consulting firm.

Farkas will discuss the topic "Customer Loyalty and Employee Retention" at a luncheon honoring members of the Acadiana Top 100. The event, set for Jan. 27 in Lafayette, is open to officials of companies which are members of the Acadiana Top 100.

Farkas, who represents numerous consumer products and industrial clients, says that managers have a bias toward seeking out new customers to generate additional sales, rather than trying to obtain additional business from existing customers.

"That approach is re-colored by the way companies analyze their business development efforts. "No one's account management system tells them what a new customer is worth compared to an existing customer," says Farkas."

In fact, he argues, existing customers tend to be more profitable for a company than new ones for several reasons. First, they understand the best products for operations and, thus, can more efficiently solve problems and obtain information on products. Secondly, existing customers are more likely to refer other business to a firm. "They tend to refer the right people," Farkas says, the kind who should be doing business with a company.

Seeking out new clients, on the other hand, can often be a time-consuming and expensive process. And once a new account is landed, it often does not result in new sales. Furthermore, some businesses merely shop different vendors for price and will move on as soon as they can find a better deal elsewhere.

Farkas says that companies also don't appreciate the relationship between veteran employees and sales. There is a direct relationship, he says, between high employee turnover and customer dissatisfaction.

Many companies only analyze the cost of training and recruiting new employees when taking into account staff turnover. However, they also should consider the potential for lost sales when an employee leaves a company and, thereby, can no longer service existing business.

Farkas has worked in strategic management consulting for Bain since 1979. His experience covers portfolio strategy, acquisition/dissolution, restructuring, marketing, and financial matters.

Charles M. Farkas

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