# 

# Omnico Customer Retention Problems and Resolution Techniques

# Shahin Mohammadkhani

# Keller Graduate School of Management

# MM577/ Sales Management

# November 6, 2011

# Professor Christopher Wadden

Table of Contents

Statement of the Problem 3

Summary of the Facts 3

Analysis 4

Recommendations 5

Conclusion 6

# Omnico Customer Retention Problems and Resolution Techniques

# **Statement of the Problem**

Upon assuming the sales manager job, Buddy discovered that Omnico Inc. is well below industry average in customer retention in their industry. Relative to competitors, Omnico is not likely to maintain long-term relationships with its clients. Knowing that it costs more to attract new customers than it does to retain existing customers how should Omnico solve this problem?

# **Summary of the Facts**

Buddy is the current sales manager of Omnico. With thirty-five years of experience, twenty of which he was the top salesperson, Buddy knows how to treat and win customers loyalty and friendship. Because of the short customer retention at Omnico, Buddy wants his staff to build better relationships with their clients and strengthen their relationship and loyalty. Moreover, because of his personal experience, he strongly believes and preaches to his employees that playing golf with clients will lead to winning their friendship and loyalty for many years to come. He also has offered to pay for golf lessons for employees who do not know how to play. Nevertheless, not all of his employees believe in his technique. Laura Kilburn who is a successful rep for Omnico for the past five years states, (Rich, Spiro, & Stanton 2008) “Buddy you’re still old school. Today’s customers don’t come back to us because they’re our golfing buddy; in fact many of mine don’t even golf. Customers not re-buy from Omnico only when our products and service improve their bottom line. Follow-up is important, sure---but it involves a lot more than playing stupid games with the customer”.

# **Analysis**

Neither Killburn nor Towers are wrong. They just see the same point from different angles. Rich, Spiro, & Stanton (2008) mention that in sales, building a relationship involves trust, commitment, corporation, communication and information. These factors play a huge role in getting customer commitment. Making the customer feel unique and important is crucial in business and especially in sales. I believe that a customer purchases a product depending on two factors. Its either because the product will definitely serve a purpose in their life or the sales person has built a well enough rapport with the client to where their trust allows the client to purchase a product and use it. It seems that in Towers case he is more concerned about building a relationship with the client through playing golf. Playing golf is perfectly fine. But I believe that he is taking the activity literally. Talking to customers about business in a non-business environment creates a more relaxed environment where not all guards are up and both parties can communicate freely. Although golfing may be a good approach at this Towers needs to realize that there are other activities that can achieve this goal. Some clients may like to go out for drinks or shooting range or even have casual dinner. There can even be times that the client would prefer to stay on the phone. The important concept here is the act of building a relationship a not just calling customers to do business wit them.

On the other hand, these days most business are more profit oriented and just want to talk business. Thus having a well-prepared presentation where it presents the info properly to the client may suffice. Thus in this case Kilburn may also have a point. Understanding the client and knowing what they actually want may increase customer retention. Following up with the customer regardless of whether they are interested in the product or not can create a rapport. Usually it takes three follow up for the customer to commit. Regardless of what approach anyone takes they have to keep in mind to build a relationship that is not solely business oriented where it allows the customer to build trust towards you.

# **Recommendations**

It is necessary for Omnico to setup a customer retention program that everyone can follow. According to Hughes (2011), customer retention programs are important for several reasons. Long-term loyal customers buy more often, spend more money, buy higher priced products, provide more referrals, and are less expensive to serve, have higher retention rates and have higher lifetime values. Hughes also states that there are several methods that can help accomplish this. He states that a company needs to “acquire the right kind of customers to begin with.  That means acquire people because they appreciate your products and services, not because they are looking for the lowest price” (Hughes, 2011). He also suggest to:

* Divide your customers into five segments (quintiles) based on lifetime value.  You will find that the top segment – your gold customers – give you 80 percent (or some other large percentage) of your revenue and profit.  Every company that has carried out this segmentation has found the same thing.
* Develop a strategy for your lowest quintile.  These people are not only not profitable, they are costing you money.  You must either shed these customers or re-price their services so that they become profitable.  In many cases, you can increase your bottom line more by restructuring the losers than by working with any other segment.
* Concentrate your marketing dollars on the second and third quintile – those just below gold.  The gold customers may be maxed out.  They may be giving you their entire share of wallet in your category.  The lower quintiles are usually the ones where the marketing dollars produce the biggest bang for the buck.
* Since your gold customers are your most valuable ones, work very hard to think up and deliver special services that are only available to them. Make them feel special.  Make it expensive for them to switch: expensive because they would lose all the special services.

# **Conclusion**

In order for Omnico to remain a leader in its industry, it needs to improve its relationship building techniques, which are up to date with current time. Understanding customer needs and also catering to your top customers can help grow business and profitability. Focusing on growing customers rather than searching for new customers will cost the company less and will also create a higher customer retention rate.

**References**

Spiro, Rich, Stanton, R.L, G.A., W.J. (2008). Management of a sales force. New York City, NY.: McGraw Hill.

Arthur Middleton Hughes (2011, November 6). Ten Ways to Keep Your Customer

Retrieved from <http://www.dbmarketing.com/articles/Art184.htm>