Executing a Successful Client Retention Strategy

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Client Retention. Everyone wants it. Everyone needs it.

But, is it really happening for you and your dealership?

And what does it mean to your sales professionals?

The above seems obvious, at first blush, to most of us. We know we need to keep our clients. We implore our reps to manage their client base religiously. But do we have a strategy in place that ensures that the best of intentions are executed successfully by our frontline team members? As with most things in our world, it all comes down to strategy and execution.

Let's look at the historical approach to client retention. Or, as we like to refer to it as, "Active Base Management." To some, Base Management can be viewed as the following:

1. Manager to Rep: "Call on your current clients every 3 months."
2. Rep to the client (every 3 months): "Hi Current Client I just wanted to drop by (or call) and see how things are going?"
3. Client to Rep (every 3 months): "Everything is going fine." (Hopefully).
4. Rep to Client (every 3 months): "Great. See you in 3 months." (Hopefully).

If the above sounds familiar, it *might* be. That is, assuming the rep actually does call on the client every "x" number of months and has a quick conversation with them. But do you know that it is actually happening? *Predictably*. *Reliably*. And, more important, *effectively*. The key concern here is developing a consistent, reliable, and effective program that allows for the client and their specific environments to be addressed in a manner specific to their situation and initiatives. The goal is to prevent a "generic" approach to a "specific" environment. In other words, base management cannot be effective if painted with a broad stroke. Educating all team members at the dealership specifically, the sales professionals, with a targeted and scalable approach to each client's retention track ensures a successful base management strategy.

So where does it start? As with most initiatives, it involves doing a deep dive into the dealer's existing base and working thru the following calculations The dealer would complete fields in yellow with results calculated automatically:

Compass Sales Solutions Base Management Calculator

Install Base/number of units	3,000	
% Of Base Non-Upgradeable/Lost	10%	
Net Base Opportunity	2,700	Units
Average Price per installed unit	$5,000.00	
Total Value of Installed Base	$13,500,000.00	
Average Installed Click Rate	0.0120	
Average Installed Mono Volume/month	4,000	
Turn Rate (in months)	42	
Revenue Opportunity/Risk per month	$321,428.57	
Unit Opportunity/Risk per month	64.3	
Service Risk per month	$3,085.71	
Number of Reps Dealer Employs	12	
Avg Required Unit Sales per Rep/month	5.4	Needed to maintain 90% of your current base!
Avg Required Sales per Rep/month	$26,785.71	

As you can see from the above, the first step in the process is identifying your "Net Base Opportunity." Which takes in to account your entire MIF less a dealer defined percentage of units deemed non-upgradeable/lost. This percentage can be higher or lower based upon the economic conditions present in the dealers marketing area, competitive pressures, etc. Once you've identified the Net Base Opportunity, you need to assign an average price per installed unit. Depending on your product mix and distribution of MFP's, printers, etc. in your base, you want to select a conservative number that typifies your average placement. In the example above, if the dealer has an installed MIF of 3,000 units, the Net Base Opportunity, assuming a 10% non-upgradeable/lost situation, is 2,700 units. Assuming an average price per installed unit of $5,000.00 each, the value of my installed based is $13,500.000. To add intrigue to this equation, we've also added the service/supply element to this calculation. By simply estimating the average click rate (mono) and average volume per installed unit, it shows the monthly impact of retaining or losing, those placements.

This is where it starts to get interesting (or possibly scary)!

The next calculation you would want to determine is the average turn rate (in months) of your Net Base Opportunity. For our example above, we selected an average churn rate of 42 months. If we take the 2,700 units and amortize it over the 42-month turn cycle, that would mean that the dealer would to place, on average, over 64 units per month just to keep pace. And bear in mind, that is to keep pace with retaining 90% of their base (remember, we allowed for 10% non-upgradeable/lost). If we translate this to revenue (and using the $5,000.00/unit figure we assumed above), that would mean that you would need to generate over $321,000.00 a month in current client unit sales alone just to maintain 90% of your existing base! If in this example, the dealer employed 12 reps, each rep would have to average over 5 units to current clients per month to maintain this going forward.

As you can see from the above example, this lends added incentive to implementing a Predictable, Reliable, and Effective Base Management strategy. Which begs the question, where do you start? The good news is, you already have if you've modeled your numbers using the above calculations as a guide. But it doesn't stop there. You need to run the calculations for each of your reps to insure they "buy-in" to the importance of base management. Instead of using the total dealer numbers, use the territory numbers for each of the reps. How many units are they responsible for in the field? How many are non-upgradeable/lost? Once you dial in to the MIF for each of your reps and show them the impact, Base Management becomes personal to them as well. Because it not only represents the dealer's risk/reward ratio, it represents the financial opportunities to the rep.

Now that we have developed this roadmap in conjunction with the rep, what next? Hint: It's not telling them to call on their clients every 3 months! It requires a unique Base Management strategy based upon readily available criteria that will be different with each dealership and sales territory. You need to identify the specific drivers at your dealership, but some of the common areas that we've seen in dissecting the client base are the following:

- Device Overages (or underages)
- Device Age or Install Date
- Device total volume
    - Total Mono Volume
    - Total Color Volume
- B2C units being used as semi-Production units

- Excessive Service

The above is not an all-encompassing list but represents a few “tracks” that can be built and identified from data that is readily available in your sales or back-office ERP system. Clients can be targeted based on the above criteria (or many other metrics) that then allow for a client “touch” system that is targeted based on defined criteria. Instead of the rep calling on an account blindly every 3 months (or whatever the schedule is), they are focused on calling on clients in coordination with the tracks defined for each of the areas identified above. High volume users. High color users. Aged equipment. Service intensive equipment. Each track would identify a group of clients and a touch schedule that corresponds to the issues they face.

So as you review your Base Management strategy, take a step back. Analyze. Strategize. And Personalize. And remember, knocking on the client’s door every 3 months might sound reassuring on the surface. But is it ensuring a loyal client base long-term?