

*Reprint*

# The Golden Rule for Customer Retention

As featured in the  
November/December 2014 issue

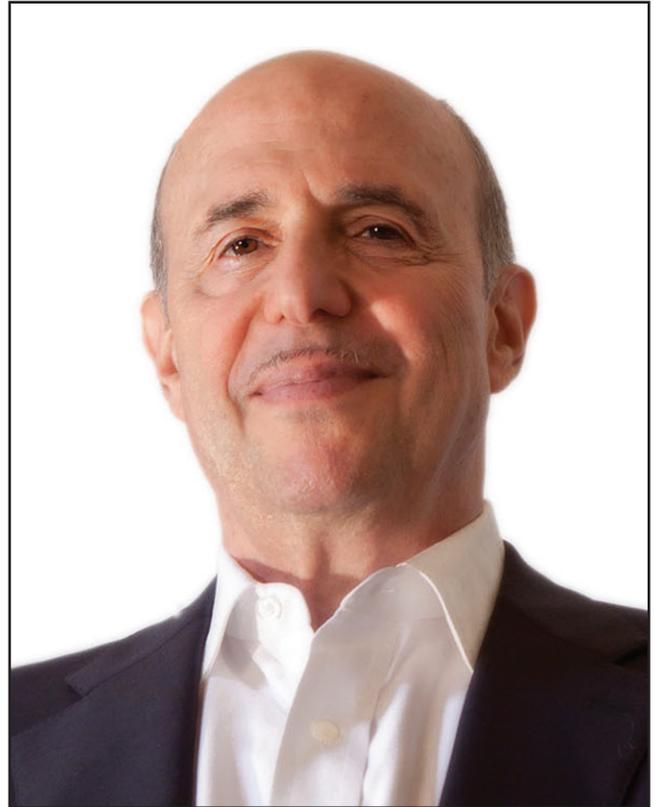


# The Golden Rule for Customer Retention

As featured in the November/December 2014 issue of  
*Wiring Harness News*



**Loren M. Smith, CEO**  
**Blue Valley Capital**



**Loren M. Smith, CEO**  
**Blue Valley Capital**

Arguably, there is no more important issue for a wire harness company--or just about any business--than holding onto existing customers. That's why the golden rule of retention is so crucial. To violate it is to flirt with upheaval, but embedding it in your culture gives you an invaluable insurance policy.

Although I didn't invent the golden rule, I sure have preached it: Regardless of the strength of your quality delivery and price performance with a given customer, unless your company has regular, frequent, face-to-face contact with that customer, you risk losing that customer.

#### *A couple of examples:*

When I was in the wire harness business, myself, I got a call from a major customer who wanted to visit my plant. Our track record with this customer was exemplary. Consistent on-time delivery. Impeccable quality. Feedback that our pricing was very competitive.

To my great surprise, shortly after the buyer arrived and we exchanged pleasantries, he told me his firm had found lower pricing on everything we were doing with them, and if we didn't meet those prices they were going to move the business.

When I weighed his expectations against our cost structure, I didn't see how we could possibly provide the price reductions he was asking for, so I asked for time to take a harder look. But further analysis did not change the picture, and I had to tell the buyer we needed to keep our prices where they were. We lost the business, we lost the account, and we never got it back.

When I reflected on how we might have prevented this

total loss, I concluded that if we'd had early indications that our longevity with the company was in jeopardy we might have been able to work with the customer to avoid this outcome. To avoid repeating the scenario with other customers, we had to put a mechanism in place immediately to ensure regular, face-to-face contact with our major customers.

Happily, the second example occurred after we committed to ongoing contact: One of our customers was sold to a much larger company. Through our regular contact with the customer's engineering folks, we learned the buyer was market testing all purchased components including electrical wire assemblies.

Armed with this information, we told the new company's purchasing group that we wanted to put a team in place to look at the designs of their top 10 harnesses to see if we could lower both material and labor costs through design modifications. Our idea was enthusiastically embraced, which resulted in our ability to stay ahead of their cost reduction process. The net result: We were never given a price reduction ultimatum, and we experienced strong growth with the customer over many years.

The golden rule reaps untold benefits for two primary reasons:

1. Face-to-face contact solidifies relationships and yields information that might otherwise never be revealed. The sources of this information can come from a wide variety of functions in any company.

2. Companies get bought and sold every day. Ongoing, personal contact heightens the chances of knowing something is afoot and preparing for potential changes.

Given all the pressures of running a business and the need to douse daily fires, it's human nature to slack off with a loyal customer. That's why institutionalizing a system of regular, face-to-face contact with every important customer is essential.

Loren Smith can be reached at [lms@blvcapital.com](mailto:lms@blvcapital.com) or [www.bluevalleycapital.com](http://www.bluevalleycapital.com)