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Flip The Funnel

How to Use Existing Customers to Gain New Ones

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The Web site for this book is at www.FlipTheFunnelNow.com.

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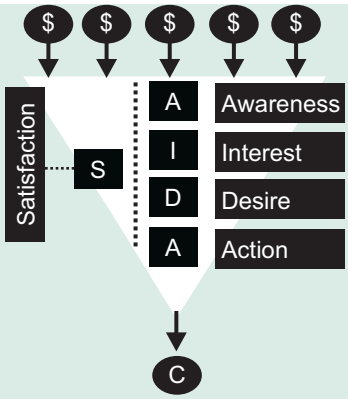
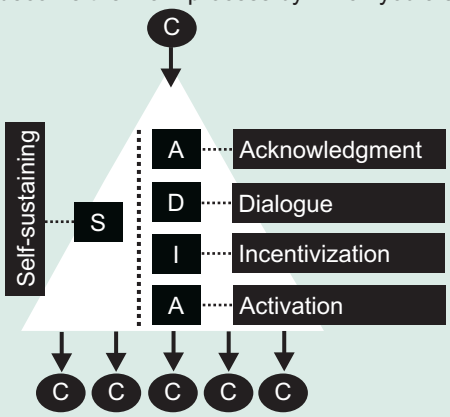
MAIN IDEA



The conventional view of advertising and marketing is you have to spend money to acquire new customers. With that in mind, businesses worldwide spend billions on acquiring new customers using the traditional sales funnel – advertise widely to create Awareness and then follow up with those that show Interest to hopefully stoke their Desire for what's on offer. Then, when the time is right, you make them an irresistible offer to get them to take Action and buy. Money goes in one end of the funnel and Satisfied customers hopefully come out the other end.

What about if you were to flip that funnel over? What would be the result if instead of spending all that money trying to acquire new customers, you instead spent that same money on making the customers you already have happier by providing them with a superior customer experience? Could you focus so intensively and pervasively on customer retention that it in fact grows to become the main process by which you also achieve new customer acquisition?



A flipped funnel would look something like this. In place of the conventional Awareness-Interest-Desire-Action dynamic, you would instead be concentrating on:

- Providing acknowledgment of your customers in meaningful ways.
- Establishing an ongoing and vibrant dialogue with your customers.
- Incentivizing your existing customers to tell their friends.
- Activating the collective potential of crowds who notice happy customers.
- Making this whole process regenerating and therefore self-sustaining.

The fundamental difference is the flipped funnel is an inside-out approach to growing your business. You spend money on making the customers you now have so happy they refer you to others. This is a 180-degree shift from the normal outside-in approach which focuses on bringing progressively more and more new customers into your business all the time.

"This is all about growing your business while shrinking your budget; about getting more from less at a time when business needs and even demands it. It's about eliminating waste and focusing dollars on the people who really matter: your customers. It's about harnessing the hidden potential of two incredibly underutilized constituencies: customer evangelists and employees. We begin with the end in mind: an economic boom in the form of more business. During trying times, our opportunity does not come from cutting costs, mitigating risk, or trading off quality (experience) for quantity (transactions). It instead comes from ramping up our investment and commitment. So why don't you listen more, respond more, learn more and do more – using a new CUSTOMER-behavior and activation model called the Flipped Funnel."

– Joseph Jaffe

1. The current state of marketing . . . . . Pages 2 - 3

The traditional marketing funnel is now seriously out of whack – it doesn't work effectively any more. Why? People aren't as predictable as most marketers claim. It makes no sense spending millions to create awareness and then much lower amounts of money to progress qualified prospective buyers but that's what happens all the time. The funnel model was an oversimplification which has passed its use-by date. It's time to get back to basics and take a clean sheet approach to the best way to acquire and then retain new customers.

2. Marketing as it should be and could be . . . . . Pages 4 - 6

Instead of spending the bulk of your resources on new customer acquisition, invest lavishly in bulking up customer retention. Do everything you can to enhance the magic which made people buy from you in the past. Deliver an amazing and remarkable customer experience. Send the clear and unmistakable message to customers you're interested in keeping their business forever by not only delivering but also hopefully exceeding what they have been promised. When customers realize they are in the driving seat, not only will they feel more loyal. They will become more enthusiastic about making repeat purchases themselves and they will also tell others about the great experience they are enjoying. This is not just word-of-mouth on steroids. Flipping the funnel is about using customer relationships to grow your business.

3. How to get there . . . . . Pages 6 - 8

Once you accept the fact it's smart business to treat your customers better, the question becomes how do you make more of the right stuff happen? In simple terms, people are already talking about you whether you know it or not. It's time to arm them with platforms, megaphones and amplifiers. Give your customers a voice and the tools they need to use it. If you do this, you grow your company base from the inside out. It all comes down to creating a great experience for your customers and then encouraging them to talk about it openly and candidly with others.

1. The current state of marketing

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Marketing has traditionally been a four- or five-step process:

A *Awareness* – you advertise to make potential customers aware your product exists and is available. This is expensive but it's an investment you hope will pay off in later sales.

I *Interest* – you offer a promise of added value in the customer's personal or business life. You have a value proposition which details what the customer will pay and what they will get out of it which is overwhelmingly in your favor.

D *Desire* – you have a hook which answers the consumer's unstated question: "What's in it for me if I buy?" When people respond to the hook, they are ready to make the financial commitment required.

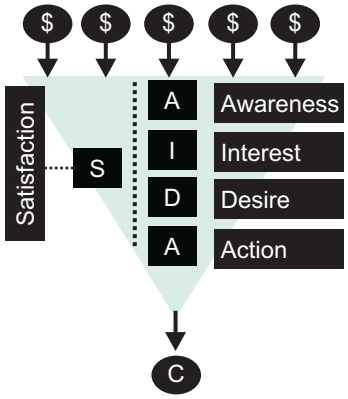
A *Action* – you have a hopefully irresistible promotion which encourages the prospective customer to buy right now rather than at some point in the future.

There is also an unstated fifth step which also hovers in the background all the time:

S *Satisfaction* – you hope and ultimately assume your customers are satisfied with their purchase and appreciate the added value it delivers.

The only problem is this conventional marketing approach has become outdated or just plain broken. This conclusion is based on several factors:

- The traditional model assumes people are linear and predictable in their behavior. That does sounds nice in theory but it is obviously false.
- The amount of money spent at the top of the funnel (generating awareness and interest) almost always outweighs the amount of money spent at the bottom of the funnel. Wouldn't it be better to spend more money on interacting with qualified prospective buyers who have shown they have a desire to purchase?
- The sales funnel is an oversimplification. It doesn't allow for the research many people do before they buy or how offering a free trial or some other kind of sampling can sway a purchase decision.
- The sales funnel is much too linear. People will act the way they want to act rather than rigidly sticking to some sequence we arbitrarily design for them.
- The sales funnel says nothing about retention or repeat business. It focuses solely on a one-off initial purchase transaction and how to get there.
- The marketing funnel produces customers but then does nothing with them. It is uncomplete. It suggests you should expend all your time and resources getting strangers to buy rather than encouraging existing customers to buy more.



If there is one thing the most recent recession has taught everyone, it is that there are only four simple metrics which effect whether a business keeps it's doors open or goes under:

1. Getting more people to buy.
2. Getting existing customers to buy more often.
3. Getting existing customers to spend more on your products.
4. Getting existing customers to recommend you to their friends.

The lion's share of most advertising and marketing expenditure is allocated to point #1 alone. To illustrate, try and develop a chart like this for your own business:

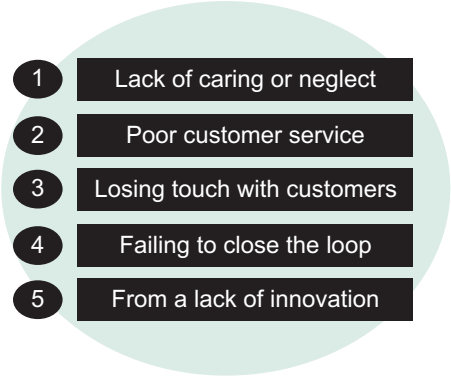
Category	How much business you generated from this category in the past year	How much money you spent in the past year on marketing initiatives in this category
New or first-time customers	$_____	$_____
Repeat customers (More frequency)	$_____	$_____
Bigger basket size (Larger orders)	$_____	$_____
Influence and word-of-mouth	$_____	$_____

On completing this exercise, many companies have found they allocate the majority of their marketing expenditure to seeking first-time or new customers alone but the other categories also generate a substantial amount of business turnover. That begs a few thought provoking questions:

- What would happen if your marketing spend could reflect where your business comes from – if you spent more on what works and less on what doesn't? Wouldn't that be a good thing to try and achieve?
- What would be the result if you took some of the money which now gets used in trying to generate first-time customers and instead do amazing things for your existing customers? Would that increase their repeat purchases?
- What if you offered price incentives – the more people buy from you, the lower your prices are? Would that make repeat purchases even more attractive?

All of these questions focus attention on one underlying business concept: customer churn. Many companies try and balance their books by having new customers coming in counteract those who go out. That creates the illusion all is well. Certain levels of customer churn are deemed to be acceptable while others are not. Perhaps it's also time to re-think this business gem.

So why do customers switch from using your product or service to that of a competitor? Unfortunately, many companies make this easy by providing customers with five reasons:



1. *Lack of caring or neglect* – you may give your customers the impression you just don't care whether they do business with you or not. They reach this conclusion when you're unreachable, inaccessible or unresponsive to their requests.
2. *Poor customer service* – your customers may have been promised one thing but delivered something entirely different. When they have tried to talk to someone about the discrepancy, their questions may have been fobbed off as being of no consequence. Nobody from your end has worked hard to retain their loyalty.
3. *Losing touch with customers* – you might have stopped studying your customers and trying to figure out what makes them tick. Therefore, you start offering products and services they don't really need whereas a more astute competitor is dialed in and make more relevant offerings.
4. *Failing to close the loop* – there may be a lack of follow-through or follow-up. Customers may think once you've got their money, you no longer have any interest in changing or improving things in the future. You may never have taken the time to ask and assess what your customers value the most about doing business with your organization.
5. *From a lack of innovation* – incrementally falling behind competitors who keep on introducing new tweaks which add value to their offerings. It's naive to assume your competitors are sitting around waiting for you to seize the first-movers advantage in your industry. They are working feverishly in the background to make your offering boring, predictable and ultimately obsolete.

"The entire process of managing churn is flawed at best and suicidal at worst. It is predicated on a simple formula: the people coming in need to counteract those going out. And as long as the former outweigh the latter, the cash register gives the illusion all is well in commerce land. To make this madness that much more scientific, there are even various levels of churn that are deemed to be acceptable. No level of churn is acceptable. Ever. Churn, in any form, is intolerable; it's as simple as that. Companies need to obsess on reducing churn to zero."

– Joseph Jaffe

The real challenge in business is to keep, cultivate and nurture the customer relationships you already have while at the same time establishing unbreakable bonds with new people as well. Technology is an integral part of this quest. All too frequently, companies only look at new technology as a way to lower their costs. Savvy companies view the introduction of new technology as a way they can enrich the customer relationship first and foremost.

Examples of companies using technology to lower costs rather than enhance the customer relationship include:

- Those companies which have Web sites which are customer service dead-ends. Every customer query is answered by bland and generic frequently-asked-questions sections and it is almost impossible to get through to an actual human.
- Companies which run 0800 numbers which then require callers to hit a complex sequence of buttons before they get through to an actual human customer service person. And all too often, the person at the other end of the line then proceeds to ask for all the information (like your telephone number and account number) which you have already keyed in while struggling through all the phone system options. And then, as icing on the cake, they don't know how to help you even after all that effort to get to speak with them.

There are also some companies which stand out because it's very easy to contact real live people who work there:

- Dell now installs software on their computers which makes contacting them amazingly easy. Even better, while you're on the phone, the technician can remotely access your PC and troubleshoot while you look on.
- Apple puts humans at the Genius Bars in their stores.
- IBM makes it incredibly easy to get in touch. They offer e-mail contact, toll-free lines, online message boards, live text chat, VoIP calls and virtual world meet-ups as ways customers can interact face-to-face with IBM.

So what can be done about new technology? To use technology in an intelligent way which builds the customer relationship rather than diluting it, you might try a few approaches:

1. Use technology to make it easier for customers to contact people in your company, not harder. In simple terms the easier it is for people to contact you, the more likely it becomes they will engage with you and the greater the opportunity you have to build the relationship.
2. Hit a balance between technology and manual solutions. Don't assume everything has to be automated to be effective. Try and hit the optimum mix between cost and benefit when it comes to the human connection.
3. Look for a way you can have a tiered system in place for different segments of your customer base. Reward your best customers by providing them with accelerated and upgraded service capabilities. You can use technology to personalize offerings but only humans can interact one-on-one.
4. Keep your customer service delivery system small and manageable. Large scale often dilutes good customer service delivery. Form individual relationships with customers.
5. Make available people who can answer questions, solve problems and erase confusion. Let your customers get in touch with these people by taking very simple, very accessible actions. Let the conversations begin.

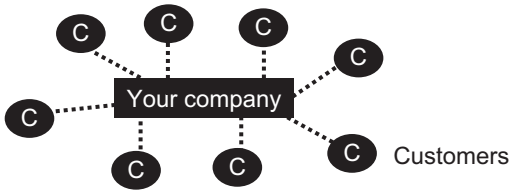
2. Marketing as it should be and could be

Instead of spending the bulk of your resources on new customer acquisition, invest lavishly in bulking up customer retention. Do everything you can to enhance the magic which made people buy from you in the past. Deliver an amazing and remarkable customer experience. Send the clear and unmistakable message to customers you're interested in keeping their business forever by not only delivering but also hopefully exceeding what they have been promised. When customers realize they are in the driving seat, not only will they feel more loyal. They will become more enthusiastic about making repeat purchases themselves and they will also tell others about the great experience they are enjoying. This is not just word-of-mouth on steroids. Flipping the funnel is about using customer relationships to grow your business.

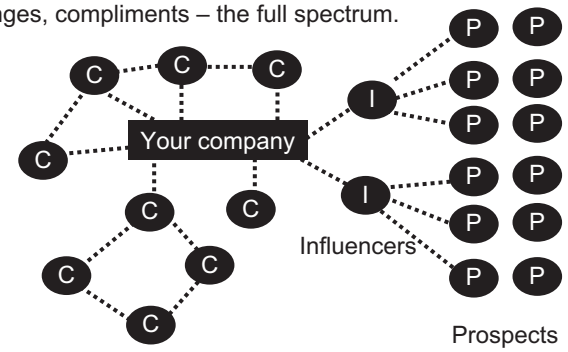
Once you've acquired a customer, it's then time to flip the funnel. In other words, you want to elevate customer retention to the point at which it becomes more efficient at generating new customers than the traditional marketing funnel ever was. At that point, you can then change your budget allocations to strengthen what you do with your flipped funnel than to continue investing in traditional marketing.

The flipped funnel has five processes:

A *Acknowledgment* – where you thank your customers for their patronage and stress their importance. Acknowledgment can take the form of a simple thank-you note or e-mail. You might tell customers their order has shipped or there's been a price drop and they will be charged a lower price than anticipated. Or you might make a courtesy check-in call along with details about a free enrollment in your customer club or community. What you're doing here is establishing a viable connection with your customers.



D *Dialogue* – where you move beyond being a faceless corporation and start a two-way conversation with customers as they reach out. Today we live in the many-to-many era of conversations so not all these conversations will be between you and your customers. They will talk to each other directly as well. Dialogues may include complaints, concerns, challenges, compliments – the full spectrum.



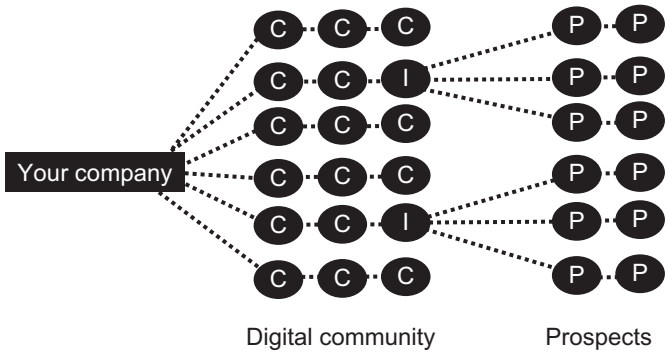
As this dialogue happens, the nature of the conversations will expand in terms of sentiment, intensity, authority and influence. When all these dialogues combine, you have a definite Wow! factor available. To activate and engage that dialogue, you can and should:

- Establish customer clubs, forums and hubs where customers can connect with each other.
- Be proactive in reaching out to customers and inviting them to join the conversation.
- Listen to what's being said and respond.
- Inject more stuff into the ongoing conversations.
- Hit a good balance between using technology in smart ways and the human touch.

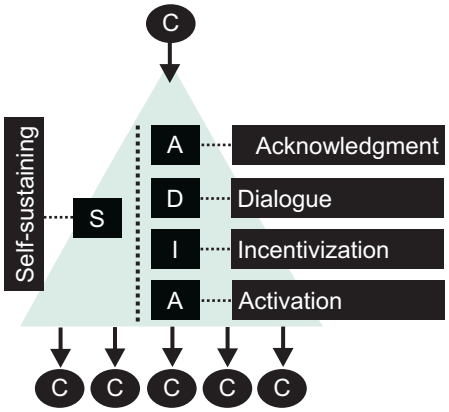
I *Incentivization* – you now need to recognize and reward people for their repeat purchases and their influence on purchases made by others. This is what loyalty programs are all about. In essence, you want to segment your customers according to what they do and reward them in functional and emotional ways. What you're doing here is cutting out the middleman. You're taking the money you would otherwise have spent on advertising to attract new business and instead divvying it up to the people who are talking about you to your friends. If you use that money to create a premium customer experience for your influencers, you end up with a win-win-win situation. The new customer gets some benefits, the influencer or referee gets some of the benefits and you get more business. The greater the rewards on offer, the more people will get with the program.

A *Activation* – is to flip the switch of social networking. Once you've got happy and engaged customers, active influencers and realistic incentives in place, you then use these resources to activate the collective potential of the crowd. You form an authentic and genuine partnership with your customers to build and grow a vibrant digital community. At this stage, the number of people who connect to your company and your brand explodes. If handled well, what you end up with is a customer-centric ecosystem which is powered by loyalty and word-of-mouth. The sales which can be generated this way can be huge.

S *Sustainability* – once you've built the right kind of ecosystem, the whole thing then powers itself. Customers will literally be hardwired into the DNA of your organization and will be empowered not only to manage themselves but also to bring in new business. As less and less money needs to be allocated to advertising, the incentives given to your influencers and customers can grow exponentially. This growth in incentives will, in turn, generate still more momentum over time. Customers will have more and more reason to keep returning rather than going anywhere else.



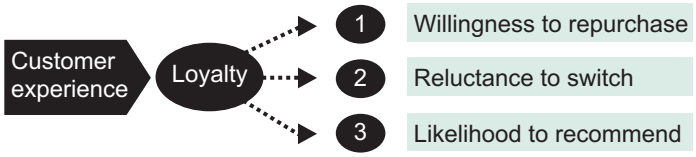
Note that the flipped funnel is a 180-degree change from business as usual. Instead of things happening from the top-down, they happen from the bottom-up or inside out. Everything revolves around the "customer experience" – which can be defined as the sum total of all contact points, interactions and encounters between the customer, the company and its offerings over a specified period of time.



The customer experience is all about helping the customer:
• Feel acknowledged and therefore appreciated.
• Participate in ongoing dialogue if desired.
• Be rewarded for giving referrals or recommendations.
• Develop a sense of belonging to a broader community.

In too many organizations, the "customer experience" is confused with "customer service". That's something of an oversimplification. Customer service is certainly an important part of the overall customer experience but in reality everything counts. The customer experience incorporates all of the customer's dealings with your company and even with your external user community as well. You have to keep on improving and upgrading the customer experience all the time.

The customer experience is important because it underpins loyalty, which in turn lays a foundation for the three ways you can grow your business:



1. *Willingness to repurchase* – loyal customers buy more of what you have to offer. If you exceed the customer's expectations and deliver a superb experience, they will keep coming back for more.
2. *Reluctance to switch* – loyal customers don't go to your competitors. They stick with you because they have confidence you will keep on delivering a great experience to them in the future. They don't feel taken for granted.
3. *Likelihood to recommend* – loyal customers will be eager to tell their friends about you. They will happily give word-of-mouth referrals and endorsements.

"Everything we do with and to our customers has an impact on the customer experience; in turn, our customers flip that experience to their personal and social networks. This magnifies the number of people exposed to the message and at times even embellishes the experience."

– Joseph Jaffe

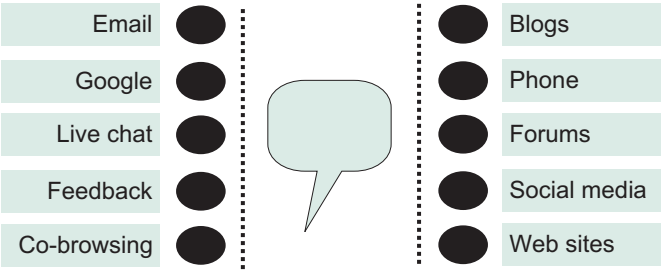
While it is true customer service is just one part of the overall customer experience, it is most likely to be your key driver of the perceived quality of the customer experience. Customer service influences and shapes all the various aspects of the customer experience. Customer service rates equally with strategic planning, marketing communications, branding and advertising as business drivers. The customer service you deliver is also a key differentiator of your firm.

When all these points are taken into account, you should view customer service as a sound investment in the future of your enterprise. Instead of outsourcing your customer service offshore, you should bring this function into somewhere accessible to everyone who counts. After all, the customer service department has a direct link to your customers. You should be using customer service to help you figure out what your customers are likely to want in the future.

Some suggestions in moving your customer service operation to the head of the table:

- *Remind everyone customer service doesn't stop at 5pm on Friday* – it has to be available 24/7/365. You'll find most of your customer problems will happen late at night or on weekends so that's when you have to be available.
- *Keep in mind the paradox of customer service* – the lower down the totem pole you go, the more impressive great customer service becomes. When it comes to customer service, everyone communicates all the time.
- *While all customers are equal, some are more equal than others* – meaning always find out who is doing the complaining and sort out the problems your influencers are striking fast. Ask customers if they have a blog and research what they are saying there.
- *Have the mindset customer service is not just about fixing problems* – you're doing research on emerging customer needs so stay alert. This is also an opportunity to help customers get better deals so help them achieve that if possible at the same time as you sort out their current issues. Do this and customers will rave about you to their friends.
- *Customers always want immediate solutions to their problems* – real-time response is now a must-have. If you don't have the capability to sort out problems immediately, you're falling behind your competitors in a serious way.
- *Find ways to use customer service to generate revenue* – others have achieved this so why can't you? Perhaps you can charge a premium for personalized and specific expert service. Customers will be willing to pay if the perceived value is high enough and alluring enough.
- *Treat customer service as an ongoing commitment* – rather than a one-off or occasional deal. Be fully committed to providing superior customer service. Have the attitude a happy customer will tell three friends but an angry customer will have a blog that has 3,000 readers. Find ways to make people happy and be completely open about why you're doing this for them. They will respect that.
- *Use customer service to evolve your business over time* – meaning make your customer service proactive and directly involved in moving your business forward. Get involved in generating the future.

If you're to have any hope whatsoever of delivering a great customer experience, your customer service has to be accessible through any and all of the new channels of communication which have opened up in recent times. You have to be able to deliver customer service by:



- *Blogs* – both those your people put together and also through monitoring what others are saying in consumer land about you and your company.
- *Social media tools* – including instant messagingor microblogging services like Twitter and others.
- *Brand ambassadors* – real live people who represent your company in online forums and other places. Brand ambassadors proactively reach out to help your customers solve problems and do what they want. Brand ambassadors straddle the digital, physical and virtual worlds to interact with customers in positive ways.
- *Search engines* – which covers everything from Google (highly organized) to Twitter (markedly disorganized). You have to be highly discoverable when people are trying to reach out to solve their problems.
- *Live chat* – where live service agents interact with customers through your Web site to get things done for customers. Making live chat available injects the reassurance of dealing with a human into otherwise static Web interfaces. People love it because live chat provides instant gratification.
- *Crowdsourcing solutions to problems* – enabling customers to help each other figure things out. This is part wisdom of the crowds and part user community on steroids. By allowing your customers to collaborate together, some very unique and unanticipated solutions will emerge. This is the ultimate form of community self-service.

"This is not your grandfather's customer service. It seems that the very nature of customer service has been wholly transformed with technology at the core. If a company can see their customer service as a perfect chance for them to deeply connect with and evolve alongside its lifeblood, it becomes a cultural obsession instead of a mere department. It's a vital point of differentiation that propels innovation and creates new revenue streams, products, and barriers to entry."

– Joseph Jaffe

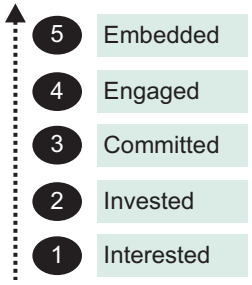
"Human beings want to have conversations with other human beings. They don't want to have a heated debate, private conversation, or intense verbal love affair with a can of soda, flat-screen TV, or extra-crispy piece of chicken. What people want are solutions to their problems, elucidation on their questions, and assistance in making informed decisions."

– Joseph Jaffe

3. How to get there

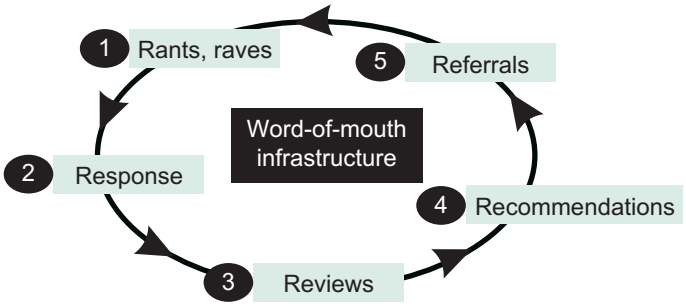
Once you accept the fact it's smart business to treat your customers better, the question becomes how do you make more of the right stuff happen? In simple terms, people are already talking about you whether you know it or not. It's time to arm them with platforms, megaphones and amplifiers. Give your customers a voice and the tools they need to use it. If you do this, you grow your company base from the inside out. It all comes down to creating a great experience for your customers and then encouraging them to talk about it openly and candidly with others.

When you come right down to it, there are five stages or levels of customer experience maturity:



Most companies focus on moving customers from level 1 interest to the level 2 point at which they purchase a product or service. The flipped funnel approach suggests that a better way to grow your business is to instead focus on moving customers from level 2 to levels 3, 4 or 5. To achieve that, you have to build an infrastructure which is powered by word-of-mouth and which amplifies the impact of word-of-mouth recommendations. Or put differently, to grow, you need to give customers a voice and then empower them to share and ultimately take the spotlight.

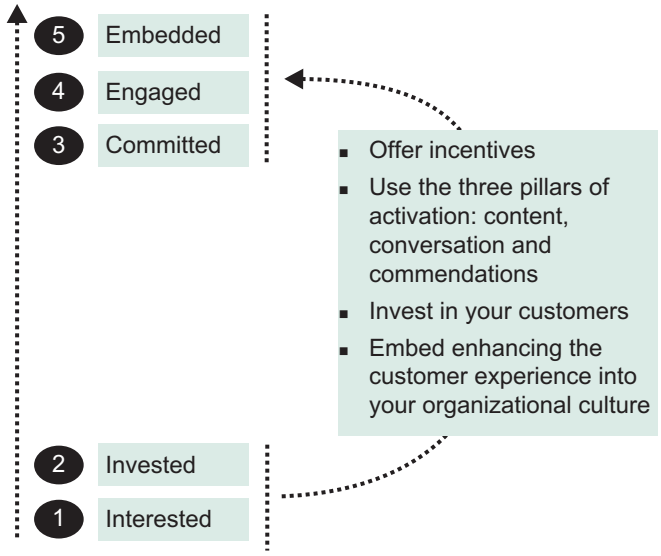
To build a solid word-of-mouth infrastructure for the future, five key elements are involved:



1. *Rants and raves* – you have to give your customers a forum where they can share their love stories or their war stories if they have them. Create a meeting place where people can talk about you in a completely uncensored or unfiltered way.
2. *Response* – actively participate in those social forums. If at all possible, your company should gear up to respond in real time to what people are saying. At the very least determine what is a reasonable response time and work to that.
3. *Reviews* – along the lines of Amazon.com which allows any customer anywhere to post a review of what they buy. This generates tremendous buzz from the inside out.

4. *Recommendations* – where people make a statement whether they think something is good or not. Recommendations are sought by those who want proof before they will purchase and therefore need to be genuine rather than contrived.
5. *Referrals* – where people are vested in the process and feel committed to achieving a good result for the person taking their advice.

Logically, you want as many customers as possible to be recommending your product or service to the people they know. Having a solid word-of-mouth infrastructure is essential, but there are also several other things you need to do. Remember, this is all about moving your customers from level 2 (where they have brought what you have to offer) to levels 3, 4 and 5. The specific things you can do are:



Offer incentives

It stands to reason if you want your customers to help you grow your business, you'll need to offer them incentives which will encourage them to spend more money themselves as well as tell their friends. In simple and direct terms, you have to formalize a process which will enable your customers to act as partners and you have to do this in a way which is completely above boards and transparent.

So how do you do this? There are no guarantees, but some ideas you could try would be:

- *Survey your customers* – and offer them something they genuinely will appreciate for their time and effort. A voucher which entitles them to a 20 percent discount on a future purchase after they fill out the survey sounds good.
- *Sponsor their product review* – if customers post some comments on their blogs, Flickr account, YouTube channel or so forth, you might give them free stuff or cut them into the deal in some way. Again, it's important to be up-front: "Company A asked me to talk about my experience purchasing their product so here goes..."
- *Give them recognition* – thank them publicly for the contribution they make. Perhaps you can name a new product after them or something like that. Use creativity.
- *Have a point-based loyalty reward system* – where people earn points by having conversations or recommending new customers. Points can be redeemed for additional products, accessories, special offers, upgraded services, exclusive content, behind-the-scenes tours, pre-sales, etc.

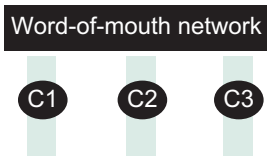
When it comes to incentives, there is a definite hierarchy which holds sway. Going from the least valued to the highest valued incentives:

1. *You can offer money* – cold hard cash as a commission on business transacted.
2. *You can barter* – customers can exchange their points for more products.
3. *You can offer add-ons* – enhanced or premium services and other intangible rewards.
4. *You can offer intellectual property* – like exclusive access or information which is not available to the general public.
5. *You can offer equity* – where your customers become strategic advisors or partners and you cut them in on ownership of the business as a whole.

Determining which kinds of incentives will be right for which customer groups will be something of an art and a science. It stands to reason you would offer different rewards for referrals to those which accrue when actual business is transacted. Similarly, the longer the tenure and loyalty of your customer, the greater the rewards should be as well. The trick is to get the balance right and to tangibly reward customers for the help they give. You just have to come up with a system which is transparent, authentic, credible and trustworthy.

Use the three pillars of activation: content, conversation and commendations

You need to put in place a customer-driven network which will carry and circulate word-of-mouth recommendations from your existing customers. Ideally, you want to give customers a suite of tools they can use to share their passion, talk about their experiences and give purchase advice to others. This kind of network is most likely to be built on three C-pillars:



1. *Content* – create a repository where customers can document their experiences, good or bad. Make it so the more they create, the more incentives they can earn. Be completely transparent about what you're doing and why and it will work out fine.
2. *Conversation* – let customers interact with each other and communicate their sentiments. Be prepared for people to be brutally honest and candid about both the good and the bad.
3. *Commendations* – allow customers to build their individual credibility by endorsing some products and not others. Find ways to reward them appropriately when people act on their referrals.

Good word-of-mouth networks are really nothing more than ehanced loyalty programs. Provide good tools, incentives, motivation and a sense of community and you will galvanize customers into becoming ambassadors for your brand.

Invest in your customers

"It's been a long time coming, but there's an increasing amount of physical proof that validates what we've always known (but perhaps ignored) for the longest time about a flipped-funnel approach to business. Investing in your customers pays tremendous dividends. Conventional thinking held that it costs roughly 5 to 10 times the amount to acquire a new customer than it does to retain an existing one. With the advent of the Internet and other electronic forms of marketing, these numbers only skew higher in favor of retention. However, what those numbers don't take into account are the additional economic benefits that businesses enjoy from both repeat purchases and, more pointedly, new business via word of mouth from existing ones. It's a bit of a mouthful, but it essentially says, 'Flip the funnel now!'"

– Joseph Jaffe

At the present time, most companies put far more money into new customer acquisition than they ever do into customer retention initiatives. That's like going fishing with a net full of holes. If instead of doing that, a company was to concentrate and focus on delivering a superior customer experience, the impact on revenues can be and will be huge.

More than likely suggesting you spend more on customer retention and less on acquisition will be a hard sell internally. To make the business case work, you're going to need some new metrics. To come up with better measures, try these steps:

1. Start noting where your business comes from – new sales, referrals or your repeat orders
2. Determine the budget which is now allocated to generating sales in each of these channels
3. Calculate the worth of sales from each channel based on transaction value alone
4. Project what each channel could be worth if it was scaled up and then optimized
5. Make your business case to optimize whichever channel offers the most benefits. Then repeat.

As you make these calculations, you will become more sophisticated in the way you analyze your channels. Over time, you'll start assigning different weightings to factors like customer tenure, degree of loyalty, credibility, influence and other variables. As you keep going through this exercise repeatedly, you will find your promotional expenditure will just naturally start to flow from being acquisition biased towards spending more and more on retention.

Many companies which have already been doing this kind of exercise for a number of cycles have often been able to show the increased loyalty which results ends up generating millions of additional revenues from decreased churn and increased purchases. The additional referral business generated is also not an inconsequential icing on the cake.

Embed enhancing the customer experience into your organizational culture

"Flip the funnel isn't a fleeting experiment or a fad. It's not the next shiny bright object or must-have of the new marketing season. Rather, it's a seismic and irreversible shift in terms of how companies conduct business, relate to their customers, and balance the mission-critical objectives of keeping the cash registers ringing and customers singing (their praises). As simple and profound as this may sound, the very sad truth is that the entire marketplace is built around an acquisition-centric methodology."

– Joseph Jaffe

To go from the traditional outside-in advertising methodology to an inside-out marketing approach, you're going to have to make your organization's culture much more customer-centric. How do you do that?

1. *Appoint a chief customer retention officer* – someone in the top management team who has the responsibility to focus on retaining customers. This person will own the customer in that they will ensure customer retention always gets a mention whenever strategic plans are being developed.
2. *Set up a customer experience department* – a team of people who will help your company get better at listening to and responding to your customers. This department can figure out how to use new technology to enhance the customer experience. They can measure and track how your organization is doing in terms of customer retention. They can figure out better ways to retain customers.
3. *Start publicly recognizing those who do things which enrich the customer experience* – the people who have enthusiasm for making customers feel great about your company. Enshrine them as leading lights within your organization.
4. *Vet all projected expenditure projects* – and flag those which directly improve the customer experience. Suggest more should be spent in this area at the expense of other expenditure.

If you are fortunate enough to be appointed as the chief customer retention officer for your company, view this as a transitional position only. If you do your job well enough, it won't take long for everyone to get on the same bandwagon as you. When enriching the customer experience and allowing customers to become your best brand ambassadors becomes as pervasive as it needs to be, your position won't be needed any more. You can then move on to bigger and better thinks in your career – like becoming the next CEO for example.

"The idea behind flipping the funnel is that a company can grow its business and customer base by expressly concentrating on retention, customer experience, relationship building, and the networked effects of customer-oriented word-of-mouth. Whereas the first three focus on maximizing value from a business's existing base (measured predominantly against tenure, frequency of purchase, and basket size), the final component emphasizes new introductions or connections formed with the outside world via insiders. In other words, it's about growing the customer base from the inside out."

– Joseph Jaffe

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