

Retention and Relationships: Storing the Rewards of Recruitment

A little special treatment can make all the difference in retaining customers and distributors

by **Jeffrey Babener**

1074 words | 4 pages



Networkers can profit from recent studies regarding retention. The costs of obtaining a new customer are six times the costs of retaining an existing one, states Paul Timm, of the Marriott School of Management at Brigham Young University, in *50 Simple Things You Can Do to Save Customers* (Career Press, Hawthorne, New Jersey).

He also points out that satisfied customers are the best advertising, because they are prone to tell others and generate new customers.

At Mary Kay, similar findings were reported. It was noted that obtaining a new customer is five times more costly than maintaining an existing customer.

Something to Think About....

Both networkers and network marketing companies should think long and hard about this information, especially in light of the fact that most network marketing companies feel lucky if they can retain 15 to 20 percent of their recruited distributors on a long-term basis.

A little special treatment can make all the difference in retaining customers and distributors. And, it beats spending piles of money on advertising and administrative costs.

Similarly, individual distributors are well advised to give their downline distributors and their customers the kind of treatment and care that will make them want to stick around. In the same vein, two critical statistics were noted at Mary Kay relating to a distributor's first year.

First, it was discovered that the majority of terminations occur during the first year. Second, it was found that the highest numbers of new recruits are brought in by distributors during their first year.

In short, new distributors are highly important to a network sales organization, yet they are the most likely to drop out of the program. In addition, one Mary Kay executive noted that a study revealed that one in ten new distributors never really got going.

The First-Year Hurdle

The lesson to be learned is clear: *work hard to get your distributors past their first-year hurdle*. This pays off. New recruits beget new recruits. You will benefit from a multiplier effect when you bring in lots of new recruits. It's a bit like compound interest. Conversely, if you can't retain your new distributors, you have to run fast just to stay in place. At one point, it was noted that Discovery Toys expected the annual attrition rate for new distributors to be between 50 and 60 percent, which isn't unusual for such companies. It's like being on a treadmill. But, you can slow the treadmill down by convincing more of your new recruits to stick with the opportunity.

Since the cost of obtaining a new distributor versus retaining an existing one is probably similar to the costs of recruiting and retaining customers, then making your first-year distributors happy makes great financial sense.

In short, hang on to what you've got! It's one of the best investments you can make in your future.

Why They Stay and Why They Leave...

You might want to know what motivates networkers to stay with you or, unfortunately, to leave you behind. Although the earnings opportunity is always a given for networkers, you might be surprised to find out that non-monetary factors are, perhaps, the most critical to building your business.

One study by the U.S. Direct Selling Association looked at the top reasons that motivate network marketers to **stay** with their companies. Again, the most important reasons are relationship based:

1. Favorable response to product.
2. Favorable response to the company's management leaders.
3. Favorable response to the top distributor leaders in the sales force.
4. Identification with the company vision or purpose.
5. Satisfaction with the amount of earnings.

And, finally, a study by a major direct selling company attempted to discover why networkers **leave** their company, and it found the following top factors that drove them away, all relationship weaknesses:

1. Poor communication with the sales force.
2. Inferior support for the distributor force.
3. Inadequate leadership in the company.
4. Lack of training.

If you are looking for a common theme here, it is clearly the responsibility to provide great communication and support to the downline sales organization.

It's the Relationship, Buddy!

As you build your network marketing business, you will soon find that it is an art and not a science. And yet, if you pay attention to the trends that cause individuals to be interested in a network marketing opportunity, and if you pay attention to the factors that motivate networkers to join you and stay with you, your chances of success will be vastly improved.

So, good luck!



Jeffery Babener

On any given day you can catch Jeffrey Babener, Babener & Associates, lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for *Entrepreneur Magazine* or a chapter for a University textbook.

Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council and Government Relations Committee of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association.

He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies. He has chaired more than 50 national conferences on the subject of "Starting and Running the Successful MLM Company". He is editor of one of the most informative and popular websites on Network Marketing, Direct Selling and MLM, www.mlmlegal.com.