



Reinventing the Wheel

Creating Lifetime Customers | Chris Zane

How much is a lifetime customer worth to your business?

For Zane's Cycles, it's \$12,500. That means if we start by providing a child his first bike at 4-years-old and continue through the retirement bike, we will collect \$12,500 in fulfilling all of the cyclist's lifetime needs. But to actually sell an individual that many bikes to hit the goal of \$12,500, we must win their business for life. We must develop a trusting relationship with the customer from the first encounter and provide them with such an incredible experience, extraordinary service, and attention to detail that they come back time and again. If we're extraordinarily successful in doing this, that lifetime customer also brings us business from their children, relatives, and circle of friends.

These types of relationships are not easily formed nor are they formed overnight. They require exceptional care, attention, and a focus on continuously exceeding expectations. At Zane's, where we have chosen to compete on service rather than on price alone, it means providing unparalleled customer service. We can never accept an unhappy customer, nor look at an unsatisfied customer as an inevitable part of doing business. This method goes beyond the mindset of making an unhappy customer happy or simply matching the offers of our competitors.

Creating lifetime customers requires that you offer every customer or potential customer more service than they consider reasonable. Further, it means that you actively solicit customer feedback about what you could be doing better and use that information to expand and tweak your offerings to best service the customer.

What Business Are You In?

No matter what industry you are in, you should be in the relationship-building and experience-selling business. It isn't about the stuff you sell. In fact, focusing on the stuff is a fast train to losing your competitive edge. Focusing on the relationships and the experience is how you will find the greatest success.

When I started Zane's Cycles almost 30 years ago at the tender age of 16, I was surrounded by at least 17 different competitors—from big box retailers like Toys“R”Us to other shops like mine on Main Street. All of those competitors had an advantage over me. While I was the mechanic, head of marketing and janitor of Zane's Cycles, my competitors had large showrooms, a wide variety of inventory and lower prices. They had sophisticated systems for maximum efficiency, and those systems and their large volume allowed them to offer lower prices than I could. Even in the pre-Walmart era, I saw that competing on price was clearly not going to keep me in business.

It was then that I realized—thanks in large part to my mother—that if I wanted customers to plunk down \$179 for a bike from Zane’s versus a similar \$99 for a bike from Child World, I had to give them more than they expected. I had to give them great customer service and a great experience along with it. Customer sentiment would be the determining factor in whether we would survive or not.

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Nearly 30 years later, that insight has been validated. It is evident that our customers are connected with us, and the service we provide is the linchpin to our success. Price is overshadowed at Zane’s, because the customers know that they will get lifetime free service on their bike. They can return anything they bought at the store forever and receive a full refund no questions asked, and they can trade in their kid’s bike for a bigger model as he or she grows, giving them the full price of the original bike to spend on a new one—and we even keep a record of all their receipts so they don’t have to. The power of handing someone a new pump, or helmet, as they try to explain that they can’t find the receipt or aren’t sure why it didn’t work out is

extremely powerful. The expressions that all of us at Zane's see when we offer a replacement under those circumstances is truly rewarding.

Our no-questions-asked money back guarantee was put to the test when a customer came into the store, her bike in tow, asking for a refund. Rather than pointing out that it took her six years to decide she was unhappy with the bike, we recognized that wavering on any of our policies or making any sort of exception would lose not only her trust, and the trust of her friends, family, and anyone else she told, but it would also open the door for our employees to question our culture. Our reputation was at stake and the foundation of our organization was being tested. So, we ate the cost and issued her a full refund. Fully expecting her to purchase a bike of equal cost, which would have been about \$500, the customer picked out a \$1,200 bike (seems she had done her homework on what kind of bike she WOULD be happy with, just as she knew our return policy). While our profit suffered a bit from this transaction, we honored our guarantees and continued our lifetime relationship with this customer.

The happiness of our customers is the lifeblood of our business. That's why we continuously remind our staff that we're not in the business of selling stuff but in the business of delivering experiences.

The Experience.

Zane's employees work tirelessly to create an exceptional experience and to really connect with each and every person who walks through our doors. Rather than greeting every customer with "Can I help you?"—a phrase I truly dislike and have banned from the store—or some other rehearsed and completely disingenuous greeting, a Zane's employee will start looking for clues on how best to approach that particular customer. We have calculated that the total time a customer stays engaged in a retail environment is 25 minutes. This is all the time we have with the customer to develop and build a lifetime connection with him or her. Our sales and support staff are challenged with approaching each customer in at least a conversational manner, and at best with information about them that we already have. A quick check of the computer provides a lifetime history and can tip off a salesperson when this customer last had a tune-up of his bike or that they recently purchased a helmet. This allows them to approach with both a greeting and a question on how that tune up worked out or if they have any questions about the fit of their helmet. This kind of customized approach opens the door for the Zane's employee to connect with the customer on an emotional level, and the ability to fulfill a lifetime of purchases becomes much more possible.

The experience is critical. It's the reason why our parking lot is spotlessly clean, why we have electric automatic doors making it easy to roll your bike in and out of the showroom, and it's the reason why I had a custom coffee bar installed in the shop where customers can sit down in a comfortable spot with a free beverage while they watch their bike being repaired. Some customers plop down at the bar just to share stories of a ride with the person next to them.

We want the customer to depart in a better mood than they arrived.

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There is, of course, the occasional slip up. No person or company is above making mistakes. Nevertheless, when we completely botch the customer experience, we go the extra mile and then some to remedy the situation. My favorite example of this is what I like to call the Valentine's Day Massacre.

About ten years ago, two weeks before Valentine's Day, a female customer, whom we will call Sue, stopped into the store to buy a bike for her husband. Because she had gone all out to

get the very best bike she could for her husband, she needed to pay us in increments. So, she put a deposit on the bike until she could save up the remaining \$200 to pay it off. Wanting to surprise her husband on Valentine's Day, Sue asked Greg, a Zane's employee, if he could put the bike in the display window that evening after she had decorated the bike with some ribbon, balloons, and a sign she made that read, "Happy Valentine's Day, Bob." Greg, of course, said he was happy to help her pull off the surprise and that he would put the bike in the front window.

Sue planned to bring Bob by the store, along with a few co-workers who were in on the surprise, prior to their romantic dinner. She had been dropping hints along the way and couldn't wait to see the expression on Bob's face. Everything was in place, except that Greg had forgotten to put the bike in the display before heading out that day.

We arrived the next morning to an irate message from Sue. Realizing how serious a mistake we'd made, we knew we needed to go above and beyond the call to duty to turn this disaster into a positive experience for the local couple. We waved the remaining balance owed on the bike, tried to re-create a romantic evening at the best Italian restaurant in the area with no spending limit and we called up a gourmet coffee shop down the road to have an elaborate lunch delivered to Sue and her co-workers who had come out to see Bob's excited expression the night before.

Obviously more concerned with rectifying our mistake than the budget to do so, we spent about \$400 to correct our error and maintaining the integrity of our lifetime customer culture. Plus, considering that Sue and Bob could be worth \$25,000 to Zane's Cycles, it was well worth the investment, particularly because I don't think Sue expected as much as we gave her. We provided more than she thought was reasonable, and as a result, we turned a terrible mistake into a positive experience for Sue, Bob and all of Sue's co-workers.

The best part of the story, though, is that Greg—the employee who forgot to put the bike in the display—sent me an envelope in the mail with a \$400 check enclosed to reimburse us for the cost of rebuilding the customer relationship and a letter apologizing for jeopardizing a prospective lifetime customer. Of course, I never cashed Greg's check. I have it framed with the letter above my desk as a reminder that although we lost a few hundred dollars that day, it was worth every cent in two culture-reinforcing ways. We managed to save our relationship with the customer, and we had the great thrill of witnessing our employees take our principles to heart. To me, that was priceless.

The End of Individual Transactions

Building lifetime relationships means the end of individual transactions.

In our digital age, it's become almost commonplace for companies like AT&T or United to charge you to speak with a live person when trying to pay a bill, modify your plan, or buy an airline ticket. The customers who keep a company in business and keep the employees employed are often viewed as transactions. No thought is given to the person behind the purchase or the lifetime value of that customer to the business, either because those running the company don't know just how valuable that customer is or because they are so caught up in making a profit from each individual transaction and in each quarter that they fail to look to the future.

“ Building lifetime relationships means the end of individual transactions. ... It means the end of nickel-and-diming.

A huge component of building a lasting relationship with your customers is letting them know that you're not out to just get every last penny from them. This requires you to shift your thinking from merely selling into building trust, even if it costs you a few dollars in profit. It means the end of nickel-and-diming.

In our quest to build a sense of trust with our customers, we quit charging our customers for anything that cost us less than \$1. Should they need a small part that costs a buck or less to solve a problem or make a minor repair, we hand it to them free of charge (and a second one just in case they lose the first one). Eating the expense lets the customers know that we're not out to milk them and it reminds them of how hard we're working on their behalf. Our competitors continue to sell nuts, bolts and various other parts for \$1.99, making a "quick buck" in profit, but failing to create a trusting relationship or delivering more service than considered reasonable.

We tracked our giveaways over the course of one year and discovered that the total cost was \$86. For \$86, we were able to help 450 customers and create a positive lasting impression while doing so. I would say that was a great \$86 investment.

Ending the nickel-and-diming shows the customer that we care more about the relationship than getting every last cent possible from them. Building on that commitment, it seemed only natural to also offer customers a price guarantee. Without question, we offer great products backed with exceptional service, but we have some customers who are uncertain that we are also delivering the best price. Our goal with introducing the price protection was to take the entire question of price right out of the customer's buying decision. It also prevents customers from feeling they are getting the hard sell or that we're gouging them today so they don't have time to shop around for a better deal.

That “90-day price protection” guarantee keeps many customers from taking that trip to shop around and possibly falling prey to one of my competitors in the process. Between our lifetime service including fixing flat tires, lifetime parts guarantees, and the promise that customers would be getting the lowest possible price for the bike, there becomes no need for them to shop anywhere else. If a Zane’s customer finds their way into a competitor’s store and sees their bike at a lower price within 90 days, all they have to do is come tell us. No messy process or elaborate paperwork. We’ll simply open the register, give them the difference plus 10 percent in cash. Simple as that, you trusted us so we trust you.

“A lifetime relationship with our customers and our continuous focus on improving our offerings and their experiences is what keeps Zane’s Cycles in business.”

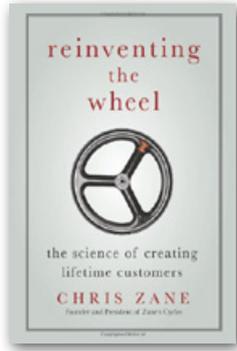
A lifetime relationship with our customers and our continuous focus on improving our offerings and their experiences is what keeps Zane’s Cycles in business. As soon as we start sweating the \$86 dollars we spent on handing out free nuts and bolts or whether to warranty that questionably defective tube created by the customer’s screwdriver, our focus can begin to shift from a lifetime relationship to a transactional one.

Those giveaways may seem to add up quickly if you're focusing on individual transactions, but when you're looking at the lifetime value of a customer, or \$12,500, a \$6 tube is nothing.

“Ending the nickel-and-diming shows the customer that we care more about the relationship than getting every last cent possible from them.”

Find out what the lifetime value of your customer is to your business. Then, work tirelessly to create an exceptional customer service offering and deliver an experience that exceeds what your customers expect to **ensure that every customer becomes a lifetime customer.** 📌

Info



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ABOUT THE AUTHOR | Chris Zane is the CEO of Zane's Cycles, a \$15 million dollar a bicycle business in Connecticut, and the author of *Reinventing the Wheel: The Science of Creating Lifetime Customers* (BenBella Books, March 2011). Zane's cutting-edge marketing techniques have been used as case studies in more than a dozen college textbooks worldwide and have been the subject of several articles in publications such as *The Harvard Business Review*, *Inc. magazine*, *Fortune*, *The New York Times* and *The Wall Street Journal*, as well as being profiled in *Alpha Dogs*, a HarperCollins best-seller by Donna Fenn.

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