

Winning the battle for customer loyalty

What exactly must organisations do today to win the battle for customer loyalty?

In today's buying world, where customers are confronted by a vast number of offerings streaming towards them from numerous sources both physical and virtual, business people may be forgiven for assuming that the age of customer loyalty is over. They may easily conclude that everything is being brought down to the level of a commodity – with the implication that price is the only factor that matters. And in a world where jet aircraft take off with the website addresses of low-cost airlines emblazoned on their hulls, who can be surprised if people reach this conclusion?

Price certainly is important when customers make key spending choices. But in practice sheer common sense, and the fact that markets have plenty of room for players who are not the lowest-cost provider, tells us that other factors really matter, too.

In particular, customers badly want to feel good about the level of service they receive from an organisation, and want to feel that the organisation genuinely cares about them and their needs.

The best organisations recognise these points and act on them both in terms of their long-range corporate planning and their day-to-day interaction with customers. Such organisations make a major commitment to gain customer loyalty not by merely announcing how important customer loyalty is to them, but by taking energetic and focused practical steps to win it.

The American business guru Frederick Reichheld, after conducting extensive practical research, has concluded that the acid test of whether a customer truly feels loyal to an organisation or not is to ask the customer "would you recommend this organisation to a friend, relative or colleague?"

Reichheld has even developed ways of assessing customers' willingness to recommend an organisation. Using an ascending scale of nought to 10, he regards customers who register as nine or 10 as 'promoters'. These are customers who are really fired with enthusiasm for the organisation and would recommend it spontaneously. Reichheld sees customers who register seven or eight as 'passive' and those who

score six or less as 'detractors'. He does not regard 'passive' customers or 'detractors' as constituting much of an asset to an organisation from a loyalty standpoint. For Reichheld, a customer is either going to recommend the organisation enthusiastically or is not in the picture. Like being in love, there is no middle ground.

Reichheld's book, *The Loyalty Effect*, has been a bestseller in the United States. It makes an aggressive and powerful case for the principle that winning customer loyalty is far too important to be seen as a mere adjunct to what an organisation should be doing. He argues that winning customer loyalty is absolutely the be-all and end-all of why an organisation is in business.

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Because of this, he believes the objective of winning customer loyalty should be built into every part of an organisation's operations.

Certainly, Reichheld's research does seem to bear out what observation of the real business world suggests: that truly loyal customers, by recommending a particular organisation, product or service by word-of-mouth, can in effect amount to an unpaid sales force for that organisation. Remember when you last saw a movie you really liked? Didn't you recommend it wholeheartedly to many of your relatives, friends and colleagues because you wanted the pleasure of them sharing in your own appreciation of it? And didn't your recommendation in effect make you something of an unpaid salesperson for the company that made the movie?

Our own research at Cape Consulting suggests that organisations which do succeed in

establishing a high level of customer loyalty are very likely to enjoy a greater level of all of the following:

- repeat business;
- customer retention;
- likelihood of being regarded by customers as their 'first choice' provider;
- recommendation and referrals; and
- price premiums.

Cape Consulting has identified a range of crucially important behaviours which, if exhibited sincerely and consistently by the people in organisations who interact with customers on a day-by-day basis, are likely to have an enormously beneficial impact on customers' impressions and consequently on the loyalty they extend to the organisation.

We call these behaviours key relationship builders (KRBs). A KRB can be defined as a clear, recognisable and distinctive practice that impresses customers. While the full list of KRBs is proprietary, the following examples show the fundamental nature of KRBs:

- conveying enthusiasm by modulating the voice to offer positive and eager greetings and communication throughout a call;
- building rapport by listening for personal information or personal attitudes offered by customers and using these to develop sincere personal connections such as a 'I know just what you mean' kind of interaction;
- keeping customers engaged by offering information and appropriate explanations to fill 'dead air' during systems operation (e.g. when switching between screens); and
- reassuring customers by encouraging them to ask questions and to communicate any further queries they may have.

The effect of KRBs is clear: they lead to customers enjoying the interaction with the organisation and, all being well, significantly increase the likelihood that a customer will become a, loyal and b, a potential recommender of the organisation to others. In particular, KRBs are designed to ensure that the customer:

- feels he or she has sufficient time to think, without feeling rushed;
- feels appreciated as an individual;
- feels that dealing with the organisation is easy, convenient, efficient and enjoyable;
- feels the organisation genuinely cares about meeting his or her needs; and
- feels he or she is getting a really good deal from the organisation.

Creating clarity

This involves the organisation achieving all of the following:

- identifying what the organisation needs to do to maximise customer recommendations;
- assessing the gap between what the organisation should be doing to maximise customer recommendations, and what it actually is doing now; and
- measuring delivery of KRBs and the standards required to create customer recommendations by:
 - a) actually monitoring how front-line staff deal with customers; and
 - b) researching customers' perception of their experiences of interacting with the organisation.

Creating the right climate

This involves the organisation achieving all of the following:

- focusing on developing team managers to create a climate in which the KRBs will thrive;
- equipping team managers to support KRBs through:
 - a) building coaching capability;
 - b) measuring delivery of KRBs; and
 - c) specifying and prioritising practical actions that front-line staff can deliver during every interaction with every customer.
- creating 'business as usual' processes in order to embed the above requirements into what managers do each and every day in working with their teams.

Creating consistency

This involves the organisation achieving all of the following:

- implementing the 'business as usual' processes to build skills and maintain performance standards in delivering KRBs in the following areas:
 - a) induction;
 - b) performance management;
 - c) training and development;
 - d) recognition and rewards; and
 - e) communications.
- aiming to win recommendations from every customer, every time.

Practical experience – and of course common sense – suggests that when customers do feel this way about an organisation, they are very likely to recommend it to their relatives, friends and colleagues. In Reichheld's thinking, they will have crossed the line and become not only recommenders but enthusiastic recommenders: or in Reichheld's parlance – promoters. This word is significant: 'promoters' is exactly what they are. So what practical steps should an organisation actually take to ensure that KRBs are as far as possible always being delivered every time anyone at the organisation has contact with a customer?

The answers to this crucial question can be usefully summarised under three headings: creating clarity, creating climate and creating consistency. The overall objective remains the same: to deliver a level and quality of service to customers that absolutely maximises the

likelihood that customers will become enthusiastic promoters of the organisation.

All the techniques listed for winning customer loyalty actually work, and deserve the most serious consideration by organisations.

Above all, organisations need to remember this: they win customers with the quality of their offerings and their keen pricing, they keep customers by offering them great service, and they build major success for the future by sincerely delivering to customers a quality of service that is of such a high standard that customers not only want to recommend the organisation, but will positively insist on doing so.

Isn't this what being in business is all about?

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*Frederick F Reichheld's book **The Loyalty Effect** (Harvard Business School Press: 1996) is readily available from UK bookshops.*