



Winning the customer loyalty war

Can we be loyal?

It isn't easy being loyal today. The complexity and competitiveness of the modern world means that we are offered an amazing range of options for just about every transaction. The number of high-quality competitors even in niche areas is surprising, even alarming. Deciding which particular offerings or options are right for you can be like trying to choose a handful of chocolates from a box containing thousands.

Too much choice

Whether we are talking about loyalty to employers, shops, brands or to the organisations that compete so vigorously for our business, the sheer breadth, range and number of opportunities that present themselves to us today can be

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intoxicating.

Only a generation ago it was a different world: fewer options across the board meant that being loyal was much easier. The American psychologist

Barry Schwartz has published research suggesting that an over-abundance of choice can actually *reduce* our willingness to choose a specific item because the surfeit of choice may temporarily paralyse our decision-making capacity.

Whether or not this is so, the impact of the internet has certainly increased the number of options available to us in just

about every walk of life. Yet the internet only accelerated a tendency already well-established before it became a big part of our lives. With such offers a feast of opportunities; how can we be expected to be loyal to one particular place-setting or to only one or two items on the menu?

But yes, loyalty matters!

The truth is that, in our heart of hearts, we *want* to be loyal.

The point is that we *know* how complex, chaotic and ultimately indifferent the world is to us and to our hopes, dreams and ambitions. We *want* to belong; we *want* to feel that the people and organisations to which we give our loyalty really care about us and our *personal* needs.

If we take out a mortgage for the house of our dreams, we want the mortgage-provider to *care* about us fulfilling that dream. We *don't* want the mortgage-provider simply to see us as an account number and a monthly repayment. We want to find emotional homes as much as a physical home.

When we have found those emotional homes we are happy to stay there - indeed we may be delighted to stay there - as long as we feel we are loved back. True, we expect part of that reciprocal love to be expressed in giving us a good deal, but we are usually prepared to make a modest trade-off over the quality of the deal in order to stay with the organisation



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that we basically love if we feel it loves us.

We want sincerity

We are complex emotional creatures. The *more* complex, sophisticated and bewildering the range of options on offer, the more willing we are to offer our affection and loyalty to those organisations from which we detect a reciprocal and above all *sincere* affection.

Some business people take pride in being hard-nosed and bottom-line orientated and may regard these observations as a trifle too touchy-feely and subjective. But if you *really* want your bottom line to improve, and if you *really* want your organisation - and your own career - to attain the heights that will fulfil *your* ambitions, you must understand psychology of your customers. *Get to know that psychology* and empathise with it. Then you may be on your way to the kind of success you really want.

Loyalty generation counts

We are complex emotional creatures. The more complex, sophisticated and bewildering the range of options on offer, the more willing we are to offer our affection and loyalty to those organisations from which we detect a reciprocal and above all sincere affection.

If you suspect that you ought to be doing some good hard thinking about your customers and their emotional motivations on the loyalty front, then you would be in good company. Today, businesses in the

United States are paying more attention to loyalty generation than they have ever done. Organisations that really want success *now* and into the future are taking on board the following crucially important

beliefs, and are acting on them with passion, energy, and creativity:

- customer loyalty is too important to delegate just to the marketing department.
- responsibility for maximising customer loyalty wins sits fairly and squarely with the CEO
- winning and maintaining customer loyalty deserves the same kind of attention as stock price, cash flow and regulatory compliance
- customer loyalty should have a fundamental dynamic effect on every element of business operations; it drives business success (and CEO careers).
- consistently high customer retention stemming from winning customer loyalty creates tremendous competitive advantage, boosts employee morale, produces fundamental bonuses in productivity and growth, and even reduces the cost of capital
- conversely, organisations from which customers persistently *defect* because they are convinced they offer inferior value will find that these defecting customers soon outnumber loyal advocates and may even dominate the collective voice of the marketplace. If this happens, no amount of



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advertising, public relations or clever marketing will be likely to save the organisation's reputation.

Take customers seriously!

The American experience is decisively in favour of the principle that organisations that take customer loyalty seriously are much more likely to get taken seriously by existing and *potential* customers than those that do not. The American experience demonstrates that organisations winning significant levels of loyalty from their customers do not do so by accident or by good fortune but

Organisations cannot expect to succeed in their bid to maximise customer loyalty unless they are sincere about it. If they are not, they are going to be found out, and probably sooner rather than later

because they set customer loyalty firmly in their sights as something to be achieved and devote themselves to achieving that goal.

The American experience also clearly indicates that there is an intimate, even symbiotic, relationship

between customer loyalty and employee loyalty: that it is likely to be impossible to maintain a loyal *customer* base without a base of loyal *employees*. Furthermore, the symbiosis between customer loyalty and employee loyalty also includes investor loyalty, because winning employee loyalty is virtually if the owners of the business are indifferent to employee needs.

As Frederick F. Reichheld, author of the bestselling book *The Loyalty Effect* comments:

'Customer retention is a subject that cannot simply be confined within narrow limits... Business loyalty has

three dimensions - customer loyalty, employee loyalty and investor loyalty. They are powerful, far-reaching and interdependent. Loyalty has implications that extend into every corner of every business system that seeks the benefit of steady customers. Tempting as it may be to delegate customer retention to the marketing department, what can marketing do to stem the outflow of employees and investors?

Customer service experience drives loyalty

What is the nature of these 'practical measures'? At Cape Consulting, we base our practical interventions around the belief - borne out again and again by experience - that, other things being equal, customer loyalty derives straightforwardly and entirely from the customer service; providing an experience that customers enjoy.

It is essential that the entire customer service experience is coherent and harmonised with the organisation's culture and strategic direction.

Organisations cannot expect to succeed in their bid to maximise customer loyalty unless they are sincere about it. If they are not, they are going to be found out, and probably sooner rather than later. Ideally organisations should regard their profitable customers as not only the *entire reason* for their being in business but also as belonging to club or society that needs to be nurtured with genuine affection, creativity and concern.



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Organisations such as the AA, Citroen, Nationwide, Saga and Virgin Atlantic - to name just a few - consistently succeed in making customers feel 'special' about being customers and that they are part of a 'club'. In some cases the organisation can promote and exploit the notion of membership to boost loyalty levels even higher, but, the organisation has to do this sincerely.

Ultimately, there is a simple but momentous logical sequence that links quality of customer service with generation of customer loyalty and profitability. Customers who are impressed with the service they experience from an organisation are likely to:

- give it repeat business indefinitely
- enthusiastically recommend it to their relatives, friends, business contacts and anyone else who matters in their lives.

This fundamental point connects customer service quality with commercial performance. Our own research suggest that it is possible to quantify the rewards likely to accrue to organisations that succeed in establishing a high level of customer loyalty. Such organisations are likely to enjoy significant advantages over rivals on all of the following:

- repeat business
- customer retention

- referrals
- price premiums

Understand the importance of Key Relationship Builders

What practical assistance can be given to organisations that want to transform the level of customer service they offer to customers? Our work over the past ten years has identified a range of crucially important behaviours which, if exhibited *sincerely* and *consistently* by the people who interact with customers, are likely to have an enormously beneficial impact on customers' perceptions and on their consequent loyalty.

We call these behaviours 'Key Relationship Builders'. In a call centre environment, for example, there is no doubt that if staff deliver the Key Relationship Builders (KRBs) with consistency and regularity, customer ratings of service increase significantly.

We have identified numerous such KRBs. They are best analysed in terms of the gratifications they offer customers. Three of the most important gratifications have been found to be:

- customers get the opportunity to ask questions they want answered
- customers feel the agent listened carefully to what they had to say

Improvements can be achieved without a single penny needing to be spent on capital investment.



delivering service excellence

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- customer feel they were given enough time.

The goal

We believe that high levels of successful completion of KRBs by customer service staff influence customers to recommend the organisation to others. Our experience is that the way for organisations to win the customer loyalty war is to focus on these KRBs and ensure that the behaviours are being regularly delivered on a daily basis. A faultless and consistent delivery of these behaviours should be the goal for every customer, every time.

Our firm belief is that this is an attainable goal and, if achieved, it can cause revolutionary improvements in the quality of an organisation's customer service.

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Dr Sionade Robinson is a consultant with Cape Consulting, a consultancy dedicated to assisting client organisations to effect major improvements in the quality of their customer service without adding capital costs.

Tel: 01784 417 900.

E: Sionaderobinson@capeconsulting.com

www.capeconsulting.com

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