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Twelve Formulas of Loyalty

Loyal customers add value to any business. But what makes them loyal?

Key Learnings:

- Customers associate good service with good responsiveness.
- Regaining the lost customer is an effective step towards customer loyalty.
- Companies can use multiple channels to serve the customer better.

With globalization, companies face the onerous job of enhancing customer satisfaction, which in turn increases the revenue. Essentially, they are challenged with the familiar conundrum of doing more with less. So how do they do it? This article aims to offer plausible solutions.

Staff loyalty paves the way to customer loyalty

Customers prefer to do business with people who know their preferences. It is thus easy to gain customer loyalty if the staff of a company is steady. A body of steady staff offers familiarity to their customers. Creating a culture that nurtures loyalty and commitment is thus necessary.

A fitting example of how the satisfied customer can impact customer loyalty comes from Baptist Health Care in Pensacola, Florida. Sometime ago, patient service performance at Baptist Service had dropped close to the bottom. This contributed to both declining patient population and low reputation in the health service area. This led to low staff morale as well. The hospital authorities thought of strategies to improve the staff loyalty. Some crucial strategies included:

- Measuring an employee's likelihood to stay with them
- Asking staff members to rank elements of their jobs
- Identifying staff complaints expressed and unexpressed.
- Organizing a business confluence to address the employees' awareness and involvement in the company's mission and strategy
- Considering the company's performance as an employer.

Within a year, Baptist Church figured among the best National hospital in the USA.

MSP implements Pareto Principle

While building customer loyalty, the 80/20 rule is important. (80% of any company's revenue is generated by 20% of its customers). An efficient company identifies these 'vital few' 20% customers and focuses more on them.

Jan Curry of MSP Associates implemented Pareto principle in its manufacturing wing. The company found that seventy percent of sales come from three percent of the



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customers. It was thus able to focus more on this three percent. The end result - the revenue doubled!

The loyalty stages

A customer's loyalty to a company can be categorized into **five stages: suspect, first time customer, repeat customer, client and advocate**. A company should identify which loyalty stage a customer is in and help him escalate to the next stage.

Service vs. selling

Present day customers have innumerable product and services options. The competition is not about better products but for better customer service. Customers shift their loyalty to whoever offers better service. They tend to look for hassle free and gratifying business. A company is doomed unless it offers services that are efficient, personalized and save time.

Complaints-route to success

In most companies, customers articulate only ten percent of their complaints. The rest of the ninety percent is displayed in other ways. Negative word about the company, non-payment of bills and lack of respect to the front office all fall in this category.

Thus, the company should create customer friendly platforms to voice the various issues of concern. Once expressed the complaints should be considered seriously. Reputation depends on that. Analyzing and responding to these complaints should be a mandatory aspect of a company's operations.

Good responsiveness = good service

Customers associate good service with 'responsive manner' of a company. Research shows that the emergence of the Internet has revolutionized customers' idea of responsiveness. They have begun to ask for a round-the-clock customer service. Moreover, customers now log on to the net and look for answers and queries to satisfy their needs. Tools like customer self-service, email management, and live chat/Web call are very popular among the customers. This is primarily because they focus on customers' varied needs. Companies should therefore strive to stay in the sub-conscious mind of customers. That requires them to constantly stay in touch with customers. Here are some ways to do that.

- Postcards
- Telephone
- E-Mail
- Newsletters
- Special events

Customer's definition of value is important



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Customer relation can be built and strengthened only if organizations are aware of customers' sense of value. Today's customers are educated and demand quality, price, performance, speed, convenience and service - a combination of which they call value. Value is often an elusive, ever-moving target. Moreover, what constitutes value today changes tomorrow. The customer measures value by what's important to him.

So the companies should be prudent enough to invest in customer loyalty research. Such research will enable them to understand the perspective of the customers and their idea of value. Consequently, companies can deliver better service. Companies that create value for customers, employees, community, and investors, create above average profit for themselves. The whole notion of business changes if companies shift focus to creating value rather than making profit.

Win back lost customers

Most companies ignore lost customers. They think the incremental value will not rise if they regain a lost customer. They look at the lost customer as a lost cause. However, it is necessary for a company not to just give importance to acquisition and retention but to invest in devising strategies to get back lost customers by renewing their confidence.

The customer service personnel play a key role here. They need to be wholly focused on the person (customer) they are dealing with. This calls for training in communication skills like, telephone techniques, listening skills and psychology.

Using multiple channels help to serve better

Research suggests that a single customer is engaged with a particular company through multiple channels. This demonstrates a strong and deeper loyalty than a single channel customer. It also raises other issues like the customer ought to get the continuous service from the firm by call center or response mail, etc. It is also a part of the company's duty to remember high value customers and their preferences. The company's loyalty increases if the customers' preferences are delivered in various channels. Today's customers leap from channel to channel, and they expect flawless services.

Improved and skilled front office

Most companies view the front office desk as a call center, where the customer interacts with the product or service company. Front office employees are in reality "loyalty warriors" of the future. There is a growing demand for converged call centers services that bring together multi-channel access points (phone, fax, email, Web). Research shows that 70 percent of North America's call centers will be made into multi-channel contact centers in the coming year. Agents have to be well versed in writing email messages and navigating the company's Web site. They will also have to sound customer friendly over the phone.

Many people don't listen to their customers because they fear the consequences. Listening comprises two parts. The first is to understand what the customer is saying; the second to decide whether or not the company wants to do what they suggest. Complying with requests isn't compulsory. If their request doesn't tie in with the company's vision,



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the company does not have to meet it. The front office desk has to be very straightforward about that. That's why telephone etiquette, conversational skills and good command over two to three languages are additional qualities that a front office must have.

Collaborate with your channel partners

In today's intricate marketplace a firm has to depend on many suppliers to offer better services. For instance, a European auto manufacturer invented a composite channel by which all the suppliers were connected. Thereby, it was able to generate greater customer loyalty through the distribution channel.

Centralized database

Most firms fall short of centralized data base systems, so they lack a 360-degree view of their customers. Transaction departments, sales divisions, and customer service centers have their own database departments, but they are unable to create an independent customer information data. A centralized data base system is necessary to have optimum customer loyalty. The entire customer related data could be stored in a centralized data bank. This will enable the organization to implement an effective customer loyalty strategy.

Conclusion

Loyal customers buy more and they are quicker to deal with. Most significantly, they instill a sense of pride and accomplishment in a company's workforce. Loyal customers strengthen a company's brand equity.

In today's cutthroat competition, customer success is of paramount importance for success of an industry. Most of the large companies invest in implementing CRM tools inside the organization. A few have successfully opened a separate wing to respond to the customers' concern. Earlier it was domain of the large-scale industries; today mid sized firms are also recognizing that and putting their customers at the center.