



How to Build Customer Loyalty

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Customer loyalty can be defined in various ways. For business executives, it means customers who cannot or who do not want to do without their products or services. Like Green Bay Packer Cheese Heads, they are rabid fans and strong advocates. Other examples of brand loyalists include Mac and Blackberry users. What they have in common—from football to phones—is that loyalty is almost like a religion and behaviors are driven by deep motivators.

The Significance of Customer Loyalty

Companies often spend significant time and money to land clients and then fall short on follow-up. Exceptional companies positively engage customers throughout their experience and are most often rewarded with the loyalty that is essential to business success.

Common sense and intuition tell us customer loyalty is important. The financials also tell us that loyalty impacts the top and bottom lines. Ask yourself whether new business is replacing lost customers or augmenting existing business. While the numbers vary by business and industry, it generally costs four to five times as much to bring in a new customer as it does to grow an existing customer.

These are a few of the reasons that fostering customer loyalty is a compelling business issue. Additionally, you will find that when you work with existing customers, you often experience shorter new sales cycles because you are building on a foundation of familiarity and trust.

Existing customer satisfaction and loyalty also impacts your ability to bring in new customers. Spillover from these customers either muddies the waters or primes the sales pump. On average, a satisfied customer tells three people about your product or service, while a dissatisfied customer tells anywhere from eight to 16 people—with predictable impact on your referral base.

While customer satisfaction is good, customer loyalty is even better. Interestingly, loyalty is not the automatic fallout of satisfaction. Do not be lulled into a false sense of security by satisfaction ratings alone. There is more here than meets the eye. Instead, visualize a continuum, starting with satisfaction and ending with loyalty.

Satisfaction → Retention → Commitment → Loyalty

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Customer stickiness increases as you move further to the right along the continuum. As you move up the continuum, you connect with your customers on a deeper and emotional level—creating a much stronger bond than you do through satisfaction alone.

Consider this: you may have satisfied customers you are serving well, but they are not necessarily connected or committed to you. So, do not stop at satisfaction. Rather, move your customers up the continuum to loyalty. Then they will advocate on your behalf, and on average, tell five to seven people about you—compared to the earlier-mentioned three referrals from satisfied customers. Clearly, understanding what drives loyalty to your company and its products and services is critical to success.

Uncover Specific Loyalty Drivers

To uncover what drives loyalty, listen to what your customers are telling you. Keep the dialogue open, and ensure that the information pipeline feeds your organization from top to bottom. Building loyalty is everyone's job. You may want to enlist consulting assistance to more clearly discern the customer perspective, especially when you need to interpret subtler (but equally important) messages.

Regardless of whether you do the research internally or engage a third-party, customer satisfaction surveys can assist you to identify customer pain points. Research can help you understand what is influencing customer behavior and uncover opportunities to further strengthen your relationship.

How you ask questions of your customers is important. Even more important is how you interpret the results. Interpretation is both art and science. Sometimes, literal interpretation can be misleading because respondents are often unaware of the motivators that drive them. Skill in a deeper level of interpretation is the art embedded in the science.

Drivers of customer loyalty tend to fall into two categories.

- Foundational – table stakes variables
- Leverageable – differentiating and behavior-motivating variables

Foundational variables, like table stakes in poker, get you in the game but offer no extra credit. The secret sauce is leverageable variables, which are the elements or values you can draw on to build customer loyalty.

As with any research, you must be open to honest feedback. What you want is to be crystal clear about:

- Why customers choose you (your product, company)
- Why they stay with you
- Why they leave you

View feedback as an opportunity to keep improving. In today's world, businesses must keep getting better simply to preserve their competitive edge.

Assess Your Loyalty Creation Efforts

One of the first ways to assess customer loyalty is to look at customer retention and referral levels. The next step is to conduct a qualitative loyalty audit—either in the form of a self-assessment or customer-based survey.

Examples of Loyalty Self-Assessment Questions

- To what extent are your customers repeat users?
- Would they recommend your company?
- Why or why not?
- What ties your customers to you?
- How well are you meeting customer expectations?
- Do you really know what your customers expect (from their perspective)?
- How well are you delivering on the key leverageable variables you identified as loyalty drivers?
- Do your customers feel like hostages or partners?
- What describes your current customer loyalty culture, focus, and priority?
- What is the value of repeat and incremental sales compared to new sales?

Create Loyal Customers

Strategically, be aware that long-term, sustainable loyalty is rarely tied to technology, product, or service alone. This may be a hard pill to swallow, especially for companies with a technological advantage. Most often, loyalty is strongly influenced by people and process. This set of influencers includes intellectual assets, culture, the way your company does business, and how expectations are set and delivered on.

Learn what counts most to your customers and focus on these areas, because that is where you will get your best return. Ensure that the structures and policies you put in place motivate loyalty behavior for customers *and* employees. And continue to adapt and evolve, just as your customers do.

Tactically, you can do a variety of things. As mentioned earlier, do a loyalty audit. In addition, know your costs and profit margins as they relate to increasing revenues from existing customers. Use this information to build the case for time, money, and resources to be allocated to growing existing customers and creating loyalty.

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Look at customer touch points and communications. Make sure communication is two-way, frequent, and through different vehicles. Tailor your communications to each customer. Current tools can accomplish this economically and efficiently. Your customers will tell you how they want to hear from you. Examples of communication vehicles include email, podcasts, webinars, seminars, newsletters, in-person, chat, and telephone. Follow-up is critical to your customer engagement efforts.

Equally important, do not be afraid to communicate bad news. When the news is not good, do not wait for customers to call. Rather, engage in proactive outreach. Your customers may be briefly annoyed, but they also will be more likely to be reassured and to give you credit for having a plan. In addition, they will feel less need to manage you as you fix the problem. Bottom line: proactive contact and status reports cement trust.

Customer loyalty—not satisfaction, but true loyalty—generates the top- and bottom-line growth that keeps your business healthy going forward. Knowing what your customers want and what keeps them coming back is vital to achieving a strong and successful market position.

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About Strategic Marketing Solutions

Led by Deb Siegle, a marketing professional with more than 25 years of experience, Strategic Marketing Solutions is a consulting practice that specializes in building effective marketing and customer loyalty programs and experiences. Strategic Marketing Solutions focuses on delivering pragmatic, actionable results. The practice undertakes the following types of projects:

- Market research (qualitative and quantitative)
- Competitive assessments
- Feasibility studies
- Training
- Meeting facilitation
- Customer loyalty drivers, programs & experience
- Seminars, programs, conferences
- Develop and launch products and services
- Branding and messaging