



**Powerful Marketing Minutes**  
50 Ways to Develop Market Leadership  
in the 21st Century

**Book Excerpt**  
**Chapter 49**

**Making Customer Loyalty Real**

Deloitte Research conducted a global manufacturing study in 1999 that resulted in an excellent report titled, “Making Customer Loyalty Real: Lessons from Leading Manufacturers.”

Not only does the report state that “customer loyalty is a critical driver of shareholder value around the world,” it also concludes that “for manufacturers, low price, high quality, and on-time delivery are no longer enough to stay in the game of global competition.” What is imperative for future success, the study shows, is “the ability to anticipate and quickly adapt to changing customer demands.”

“Our extensive study of the global manufacturing sector demonstrates that manufacturers must gear their entire organisations — not just their production operations — to attract profitable customers and retain them for life,” states Deloitte. “The new game is about shifting from a product-centric to a customer-centric focus.”

How do customer-centric manufacturers keep their customers loyal and deliver outstanding financial results? Well, according to Deloitte, the steps include superior performance in pricing, quality, sales and marketing, and customer service. In other words, the very criteria on which customers base their purchase decisions.

But there was one other aspect of the Deloitte report I found most fascinating. This had to do with the way in which customer loyalty actually strengthens the manufacturers’ abilities to deliver on these key criteria. According to their analysis, “customer-centric manufacturers use their tight customer relationships to continually learn how to optimise investments across the customer interface and delight customers in their next interaction. In this way, customer loyalty creates more customer loyalty in a self-reinforcing cycle.”

This research study supports my beliefs that customers are willing to enter into mutually rewarding, long-term loyalty relationships. The feeling that there is “no such thing as customer loyalty today” is a myth perpetuated by organisations trying to build market

share and by market leaders that no longer act or behave in manners that encourage customer loyalty.

Without a doubt, customer loyalty is currently on a downtrend and seems to be decreasing across most product categories and industries. However, this is happening not because customer's do not want to be loyal, it's *because most organisations today are not customer-centric and therefore do not act consistently in ways that encourage customer loyalty.*

There is a great opportunity awaiting the organisation that can gear their entire organisations — not just the sales and marketing staff, not just the customer service staff, not just the product operations people, but everyone — to being customer centric in all actions and behaviours.

Those who are doing it right — organisations like Singapore Airlines, Qantas Airways, Nokia, Land's End, Apple Computers, USAA, Charles Schwab & Company, International SOS, and many others — are proof that when implemented correctly this is indeed a very powerful marketing and business model strategy.

And those who are doing it wrong (sorry, but my lawyers won't let me list any examples, but you know who they are!), have seen their leadership positions erode, their market shares crumble, and their profitability come from focussing on cost management rather than market growth.

As the research by Deloitte shows, “manufacturers that do not enjoy strong customer relationships and are not organisationally integrated will find it increasingly difficult to keep up with changing customer demands and more responsive competitors. They will fall farther and farther behind manufacturers that are most customer-centric and whose competitive advantages continually improve.”

All I can add to that is: this is doubly true for service organisations!

Customers of the 21st century are going to want to conduct business with, and be loyal to, organisations that are overtly customer centric. Will yours be one of them?

**Key Point:** *customer loyalty is a critical driver of shareholder value around the world.*

**Discussion Topics:** *on a scale of 1-10, rate your organisation on being customer centric?*

*Now rate your top three competitors. How do you compare?*

*What do customer-centric organisations do differently that yours is not doing today?  
What's worth replicating within your own organisation?*

*Do you know the lifetime value of your customers or customer segments?*

*Can your customers settle all issues, including ordering, with just one phone call or one web site visit? Do you provide options for customers to chose which services and channels they prefer to use?*

*Do you measure and set goals for customer loyalty?*

*This Chapter is excerpted from Powerful Marketing Minutes by Steven Howard.*

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