



## Article Reprint

### **Keeping Good Customers by Earning Customer Loyalty by Steven Howard**

A goal of every organisation is to increase its assets over time. These assets are typically defined in terms of revenue, customer accounts, properties, human resources, and capital.

But there are two hidden assets that every organisation can develop and that are critical for marketing success in the 21st century. These often overlooked and under valued assets are the brands and customers.

I was in Melbourne in mid August last year attending a major meeting of the Australian and New Zealand banks that issue MasterCard credit cards and Maestro debit cards.

Mr. Nicholas Utton, Chief Marketing Officer of MasterCard International, had one key message for this audience of senior bankers concerning customers: "if we don't take care of our customers, someone else will."

That's worth repeating and reflecting on: **if we don't take care of our customers, someone else will.**

And how true that is. Just think about all the choices and options available to customers today. Rare is the organisation that finds itself without competitors. Even rarer is the customer that finds himself without options, choices, or substitute products for the solutions they seek.

To take care of your customers, you need to have a full understanding of their wants, needs, and desires. I would also suggest that you need to have a corporate attitude that understands a person or an organisation is not truly your customer until the second time they buy.

That's right. I recommend you don't consider anyone a customer until the second time they buy from you. The first time they buy they are merely a trial user. Unless they achieve satisfaction from the purchase and the use of your product or service, they may be unlikely to repeat their business with you. Hence, taking care of the customer goes beyond the mere sales cycle and includes all post-purchase activities such as use, repair, servicing, customer service, warranties and trade-in or re-sale.

The best way to take care of your prospects and customers is to tailor or customise your products and service offering as much as you profitably can. Treat your customers as individuals with individual needs at all customer touch points and you'll be well on your way to developing customer loyalty.

### **Customer Loyalty**

An interesting phenomenon that we see in the world of marketing today is that successful companies are switching from a transaction perspective to a loyalty-building perspective at least when it comes to their best (and most profitable) customers.

There are only three ways to grow your business, and it doesn't matter what business you are in. You can either:

- Increase the number of your customers
- Persuade your current customers to buy in larger volumes
- Encourage your current customers to buy more often from you

Two of the three ways to grow your business any business is to concentrate on your current customer base. And, for many businesses, increasing the number of customers also requires a focus on the current customer base as a large percentage of new customers is often generated through referrals made by your current customers.

This means making a dedicated effort to focus on your current customers, and the need to develop relationship marketing programs particularly with your key customers is more important than ever.

By relationship marketing, I don't mean the tactical "loyalty points" programs we see so often in today's markets. While these are very good tactical campaigns, the various bonus points schemes that banks use for their credit card programs are often no more successful in building long-term customer loyalty than lucky draw promotions.

I remember when a bank in Singapore conducted a Lucky Draw competition for deposit customers with the grand prize being a beautiful new Jaguar automobile. The winner, when asked if winning this luxury car would make him loyal to the bank providing the prize, replied "no, there's a new promotion at this other bank, so I'm going to try my luck over there now."

It's pretty obvious to me that if you can't buy customer loyalty by giving away a Jaguar car, then you simply cannot buy loyalty.

If you want true customer loyalty you are going to have to build it, earn it, and reward it before you are going to be able to keep customers truly loyal

## **Building Customer Loyalty**

How do you build customer loyalty?

To start with, your organisation has to be able to fully understand customer requirements and to appreciate customer needs particularly individual customer needs.

And you need to have policy flexibility and organisational adaptability in order to meet individual customer needs. In other words, you need to be flexible in how your policies are applied. Not all customers are equal or alike, and therefore you cannot afford to treat all customers equally or in the same manner.

To fully understand customer requirements and needs, organisations need to engage in interactive, two-way, on-going dialogues with their customers. Now, of course, you probably cannot afford to do this with each and every one of your customers. Particularly if you have a large customer base.

But your organisation should be engaging in two-way, interactive dialogues with your most important customers. And you should have a dedication to complete quality control throughout your organisation.

The best way to build customer loyalty is by completely satisfying the needs of your critical customers. A commitment to quality control is essential if you are to completely satisfy your customers.

Why do your repeat customers continue to transact with you? Is this because you are the most convenient option? Because you are the lowest price? Or because you completely satisfy their needs?

If the answer is anything except the latter, then your business is vulnerable to an astute competitor --- who can beat you by focusing on this one criterion. However, if you are providing true customer satisfaction, then I wouldn't even attempt to compete with you!

Customer satisfaction is both more anticipatory and pro-active than is mere customer service. First, it seeks to understand what their needs are and then to ensure that the customer is fully satisfied, not merely mollified with a quick-fix solution or an apologetic reward or gift aimed to pacify an unhappy customer.

Secondly, customer satisfaction is a mindset that seeks to anticipate future customer needs and therefore prevents the organisation from making future mistakes and errors.

Best of all, if you are anticipating future customer needs you are undoubtedly doing the one most important thing that will build customer loyalty taking care of the customer's needs before he or she even recognises those needs. That's how you truly build customer

loyalty.

### **Earning Customer Loyalty**

The easiest and surest method to create customer loyalty is a commitment to quality and a dedication to delivering upon the promises made by the organisation.

I believe that it is a very straightforward equation that starts with quality and results in customer loyalty. Simply put, this equation is:

- Quality will result in customer satisfaction.
- Customer satisfaction true customer satisfaction will result in repeat purchases.
- And repeat purchases will lead directly to customer loyalty.

Please note we are talking about customer satisfaction here, not customer mollification, customer happiness, or even customer delight.

In a recent seminar, someone asked me, "what is the difference between customer delight and customer satisfaction?"

That's a good question. I believe that customer delight is a short-term experience, one that is usually experienced as a result of some extra niceness or courtesy performed by a seller's staff. It's something that surpasses the customer's expectations at the time it is received or experienced.

While there's nothing wrong with customer delight, it does not have the same long lasting effect as customer satisfaction.

Customer satisfaction, on the other hand, comes from the buying experience, the using experience, and the post-purchase experience received by the customer while buying, using, or consuming your product.

If you want your customers to be repeat customers and therefore loyal customers focus on making them completely satisfied.

A little customer delight never hurts, but this shouldn't be the end-all and be-all of your customer satisfaction efforts.

After all, the key difference between a trial user and a loyal customer is that the loyal customer keeps coming back to repeat his or her business with you.

### **Rewarding Customer Loyalty**

It is important to reward customer loyalty, but we have to be careful not to try and bribe customers into loyalty.

It's kind of like raising children. Once you start to "bribe" your child, as in "if you'll eat

everything on your plate tonight you'll get a cookie," there is no ending to the bribe. This "one cookie for a clean plate" trick works for a week or two, and then the bribe has to be increased to two cookies, or even three, before the child will willingly complete his or her entire meal.

Many marketers are making the same mistake when it comes to developing so-called loyalty programs. The airlines were one of the first to make this error. Once one airline started to capture greater market share with a frequent flyer program, everyone else added similar programs. Now, practically all airlines offer some kind of a mileage program.

There is little differentiation between these programs, and hence many passengers (and certainly most frequent flyers) are no more loyal to one airline than they were previously. Frequent flyers tend to belong to multiple FFP programs. And now with 2-3 major alliances being formed in the industry, it will be easy for everyone to belong to these 2-3 Super League FFPs. So where's the point of differentiation? There isn't one!

All that has happened is that the cost of business has been raised for all players in the airline industry.

We have seen the same thing happen here in Singapore in the petrol and credit card markets. It seems like all the petrol stations, and certainly all the banks offering credit cards, have developed some sort of rewards scheme under the guise of loyalty marketing. It's no wonder that Singaporeans tend to carry credit cards from 3-4 banks in their wallets and purses, and that they switch from one petrol rewards scheme to another depending upon the prizes offered on a regular basis.

These are not rewards programs. They are customer bribery programs and all they do is raise the cost of business for everyone in these particular industries.

And, like the getting the child to eat his dinner, the cost of such programs goes in only one direction ---- up!

Smart marketers will develop loyalty programs that truly reward customers not attempt to bribe them.

### **Keeping Customers Loyal**

Keeping customers loyal is an art form, not a science.

As is true of all good marketing practices. Marketing is, after all, an art, not a scientific discipline.

The most important ways to keep customers loyal are five simple, simple to understand, but not always simple to execute actions:

- Always deliver upon the promises that anyone in the organisation makes. Walk your talk. Have everyone in the organisation understand that your word is your bond with customers.
- Ensure that you have product and service delivery consistently at all times.
- Be able to anticipate future customer needs --- and create flexible and adaptable organisational structures so that you are better prepared to meet these changing customer needs before they occur.
- Solve future customer needs --- either through changing product features, benefits, or through upgraded service delivery.
- Cultivate long-term customer relationships by being engaged in two-way, interactive dialogues with your customers that help you anticipate their changing and future needs.

Naturally, you cannot, and probably do not want, to cultivate deep-seated relationships with all your customers. The cost of doing so is probably prohibitive.

On the other hand, you certainly will want to apply these practices to the 20% of your customers who give you 80% of your revenues or, better yet, the 80% of your profits (if you are able to calculate profitability on a customer-by-customer basis).

Customer loyalty needs to be thought of as a two-way street. Many senior managers I speak with these days complain that "customers are not as loyal as they used to be."

Then, when I start to investigate their own policy changes, pricing methodologies, and marketing activities, it becomes very obvious to me that many of these same organisations are no longer as loyal to their customers as they used to be.

No wonder they feel they have lost customer loyalty. They've stopped earning and deserving it through their own practices.

By following the five practices mentioned above, you'll be in a better position to ensure that you do not suffer from deteriorating customer loyalty. And, you'll be in a better position to grow your business, for you will earned the customer loyalty that results in repeat purchases.

Otherwise, in the words of MasterCard's Chief Marketing Officer, if you don't take care of your customers, someone else will.

### **The Author**

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