

# Ideas



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## Don't Make A Satisfied Customer Your Primary Goal.

In the most industries, marketers frequently put the majority of their efforts and their budget behind strategies that will strengthen their brand by building customer satisfaction. Perhaps that's why so many spas, hotels, and resorts monitor their success with a customer satisfaction survey designed to measure "How well did we do?" While the data collected from this type of survey will help them monitor their staff's performance, it does not give them insight into what their customer values most, and what will bring them back.

The focus of a solid marketing effort must go beyond satisfaction to something that will not only work harder to build a stronger brand with higher equity, but will also increase the efficiency, and most importantly, the profitability of your client's business. So, if your client's goal isn't a satisfied customer, what should it be?

Make your client's goal loyal customers. To be loyal is to be "unswerving in allegiance," according to Webster. And the value of allegiance from their customers is that loyal customers are more profitable than average customers. According to Fred Reichheld in "Loyalty Based Management," a study of over 30 industries, if your client can increase the number of your repeat customers by 5 percent, you pick up 25 to 85 percent more profit per customer.

Common sense tells us that if you focus on keeping your most profitable customers loyal, you'll also experience savings in many areas including: customer research,

product development, advertising and communication, customer service, and customer rewards, because you'll be spending your marketing dollars on customers with the greatest return on your investment. After analyzing over 800 studies on how to build strong brands, the Coalition for Brand Equity concluded the cost to win a new customer is four to six times as much as the cost to retain an old customer.

One of the problems we often see when evaluating a new client's marketing programs is that they lose sight of what loyalty is all about. They focus on bonuses, freebies, and rewards rather than generating allegiance. The airlines are credited with starting loyalty marketing. But what they experienced over the years was that the competition kept matching their offer (frequent flier miles, elite tiers, additional member benefits). So now, there is little loyalty advantage in any one airline. Clearly the flaw in many loyalty programs is that they are too easily matched by the competitors.

So, how do you build a *unique* loyalty program? First you have to get on the competitive playing field, which takes us back to customer satisfaction. If your client's customers' initial experience does not meet their expectations, they could walk away dissatisfied, and you wouldn't even be a candidate for loyalty.

The development of a loyalty strategy is a complex process that requires you to evaluate how all the marketing tools available—strategic planning, research, direct mail, interactive media, promotion, advertising, and public relations, etc.—can be used to build their business and their brand by creating lasting relationships with their customers. But what should be

the basis of that relationship? In her book, *e-loyalty*, leading customer loyalty expert, Ellen Reid Smith, points out that successful relationships, whether they are with a brand or another human being, are built on common values: wanting to be liked, recognized or valued, believing the relationship will enrich our lives, thinking the relationship reflects who we are, feeling respected, and trusting the other party.

Before you begin planning how you're going to build relationships for your clients, take enough time to evaluate *carefully and thoroughly* who you want to build relationships with for your clients. Loyalty is seldom total—the clients will have only a few, if any, customers who are totally loyal. Begin segmenting their existing customer base by how profitable the customers are. These are generally regarded as their best customers and it is their best customers that you want to make their loyal customers.

Then, to find out what generates loyalty to *your* clients' companies among their most valuable customer segments requires research on the internal motivations that influence their customers' decisions. You and your client will need to understand the motivations that are common to their industry, specific to their company, and valued by their targeted customers. You should prefer to accomplish this through qualitative research such as focus groups, in which you can explore key issues including what features of their company make customers visit, return, or recommend; what is the decision process behind reselecting their company; and what makes a customer consider or not consider a competitor. This process is a combination of narrowing down the most important issues and exploring the emotions behind each. Then, once you have identified the motivators, you can conduct a survey to prioritize them.

Using the motivators as a guide, you can now define what you want to say to your clients' best customers. You're now ready to build an on-going relationship

based on two-way communications. For example, each time they make a contact with a customer, be sure to maximize the opportunity to gather data, knowledge, and insights into that individual, then use what you have learned to make your response or next communication more personalized. Personalize the service provided, the products offered, and the dialogue in which they engage them. Developing loyalty is not a dialogue maintained as a simple continuous loop, it is a continuous escalating spiral in which your clients are demonstrating how much they value the customer and endeavoring to elevate the customer's perception of them, and the customer's degree of loyalty.

What will happen over time is your clients' loyal customers will also be less likely to switch to their competition because it will "cost" them—they will have to give up something: priority treatment, special access to information, expanded selection, or the trust that the client's company will always follow through and support them. Also, by engaging them in an interactive dialogue, they begin teaching you how to make their experience better. The more your client's customers teach them, the better they can provide exactly what the customer wants—and the more difficult it will be for their competitors to lure them away.

One important thing to avoid when developing loyalty strategies and designing a loyalty program is gimmicks. The client may drive short-term loyalty, but they'll seldom build long-term loyalty because they won't be working to differentiate their company. They'll be vulnerable to their competition matching their offering, which may eliminate, or at least decrease, your client's loyalty advantage. Be sure everything the clients do is dictated by their customer's motivators and how they want their brand to be positioned in their consumer's mind relative to their competition.

In conclusion, to strengthen your client's brand, as well as improve the efficiency and profitability of their company, do more than satisfy all their customers.

Develop a strategic loyalty plan that focuses their marketing resources on their best customers, and starts building long-term relationships with them. In other words, make loyal customers your goal.

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May 2-3	Alliance of Marketing Communication Agencies	Carmel, CA
May 15-16	Roundtable of Agency Management Principals	Santa Fe, NM

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