



LOYAL CUSTOMERS DON'T QUIT... SATISFIED CUSTOMERS DO

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Customer satisfaction ... So what! Satisfied customers still abandon your brand if the “bribe” or incentive is big enough to go somewhere else.

The question is not how satisfied your customers are, but how emotionally attached they are to your brand. Notable researchers such as Daniel Kahneman, Richard Thaler, Robert Shiller, Angus Deaton, George Loewenstein, and many others have long argued that only 30% of human decisions and behaviours are actually driven by rational considerations — which means that more than two-thirds of consumer loyalty and spending decisions are based on emotional factors. If that is the case, measuring customer satisfaction as a metric for determining customer loyalty only goes part of the way of getting to the truth.

Customer satisfaction, therefore, should not be confused with customer loyalty. Customers are loyal because they are emotionally attached to your brand; a bribe by a competitor in the form of a better offer or a single upset in the service delivery may well be the cause for an otherwise satisfied customer to abandon your brand, whereas a loyal customer is rock solid and has the emotional capacity to see beyond the upset and continue his unwavering support for your brand

Unfortunately the word loyalty has undergone some interpretive misadventure over the years as well-intentioned but uninformed marketers have changed the meaning of the concept by creating the so-called ‘loyalty schemes’. Fly Buys in New Zealand is a case in point. These programmes exist on the false premise that buying more from a particular supplier (repeat purchases) creates loyal customers and therefore improves profitability. Not so. Loyalty schemes are nothing more than a mechanism to bribe/incentivise customers into buying more by offering them gifts, discounts, or other purchase rewards. These customers aren’t really loyal; they’re just customers who haven’t left — yet. True loyalty in the context of this essay is when people have an emotional bond with your company or your brand. They don’t need bribes, discounts, air points or other costly incentives; they want a relationship with your brand and it is up to you as the brand owner to create an ambience in which that relationship

can flourish. And here is the good news ... customer engagement strategies lead to sustained business growth, as we will demonstrate later. Researchers have taken a close look at customer loyalty over the years and have come to the conclusion that the more a customer is emotionally and positively engaged with a brand, the higher the chance of developing true loyalty

A lot of work in the field of customer engagement has been done by Gallup Consulting Group. Gallup has identified four levels of customer engagement:

- Fully engaged customers, who are emotionally attached and rationally loyal; they are your most valuable customers;
- Engaged customers, who are beginning to feel the stirrings of emotional engagement;
- Disengaged customers, who are emotionally and rationally neutral;
- Actively disengaged customers, who are emotionally detached and actively antagonistic.

Gallup research has proven that the world's leading organizations know that engaging their customers is a primary driver of key business success. Their cross-industry research shows that fully engaged customers buy more, stay with you longer, and are more profitable than average customers. It is also not surprising to know that these organisations have placed customer engagement at the foundation of their strategy for winning in the marketplace. They understand a simple fact: organisations that engage their customers outperform those that do not.

Measuring Customer Engagement

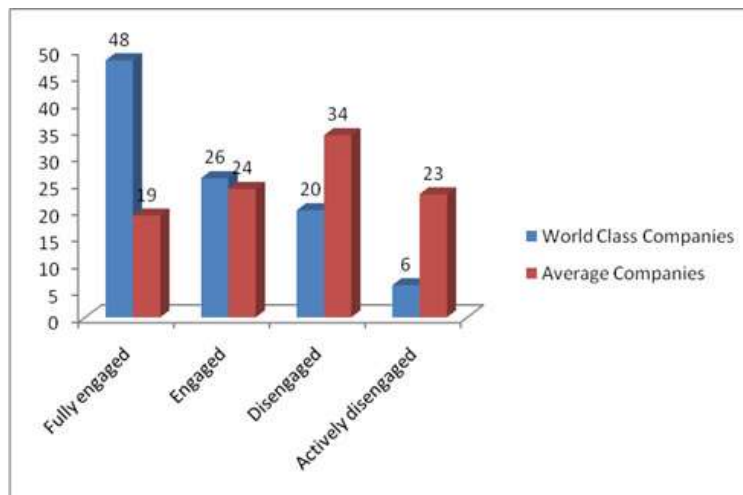
Introducing Gallup's CE11; a simple 11-question metric of "customer engagement". CE11 measures rational formulations of loyalty according to three key factors: overall satisfaction, intent to repurchase, and intent to recommend. But it also adds eight measures of emotional attachment. "The total score, which reflects overall customer engagement, is the most powerful predictor of customer loyalty we know," says Gallup Senior Consultant, John Fleming, Ph.D.

Ask your customers to answer the 11 questions below, using a five-point scale that measures strength of agreement by scoring 1 for 'very dissatisfied/very unlikely/strongly disagree' and 5 for 'very satisfied/very likely/strongly agree'.

1. Overall, how satisfied are you with [Brand]?
2. How likely are you to continue to choose/repurchase [Brand]?
3. How likely are you to recommend [brand] to a friend/associate?
4. [Brand] is a name I can always trust.
5. [Brand] always delivers on what they promise.

6. [Brand] always treats me fairly.
7. If a problem arises, I can always count on [brand] to reach a fair and satisfactory resolution.
8. I feel proud to be a [brand] customer.
9. [Brand] always treats me with respect.
10. [Brand] is the perfect company for people like me.
11. I can't imagine a world without [Brand].

Taken individually, these questions will help you identify ways to improve your relationship with specific customers. Collectively, the data from all your customers will give you a snapshot of how engaged your customers feel about your business. To calculate the Customer Engagement Ratio (CER), divide the percentage of fully engaged customers by the percentage of actively disengaged customers (refer chart below).



Gallup’s research, as captured in the chart above, shows that the CER of World Class companies is $48/6=8$, meaning that for every one actively disengaged customer these World Class companies have 8 fully engaged customers. By contrast, the CER for the Average company is $19/23=0.8$, implying that most organizations have less than one fully engaged customer for every actively disengaged customer. As a one-off, these numbers have limited meaning, but as a trend analysis measured over time, the CER will tell you whether the strategies you have implemented to strengthen the relationship (engagement) your customers have with your brand are working or not.

The CER as a measure of customer loyalty goes much further than a customer satisfaction score or even the Net Promoter Score (NPS). The latter is derived by asking customers how likely they are to recommend your business or brand to others on an 11-point Likert scale. Those who score “very likely” (score 9 or 10) are labelled “Promoters”, those who score 7 or

8 are “Passives” and those who score 0 to 6 are the “Detractors”. By subtracting the percentage of Detractors from the percentage of Promoters gives the NPS.

Fully Engaged Employees

World class companies that have a consistently high Customer Engagement Ratio achieve this because their employees are committed to the organisation they work for, have adopted the values of the organisation and demonstrate a willingness to help out colleagues. This is often referred to as organisational citizenship. It goes beyond job satisfaction and is not simply a question of motivation. This level of engagement is something the employee has to offer: it cannot be ‘required’ as part of the employment contract. Engaged employees will help promote the brand and protect the employer from the risks associated with poor service levels or product quality. Similarly, a strong employer brand will help in attracting and retaining employees.

Touch Points

Touch points are defined as those occasions or situations where customers or potential customers connect with your company or brand. The shared experience of that connection – positive or negative – determines the future status of that customer. It better be a positive experience, because customers have long memories. It is only through multiple positive shared experiences that a customer will develop an emotional attachment to your brand. As one marketer puts it: “falling in love is easy, staying in love requires work”.

Touch points come in all forms and shapes; being served at the counter by a bank teller, a telephone call to the service department, receiving a letter or statement from a utility company, reading a press release issued by your insurance company, advertising, complaints handling, waiting time in the doctor’s surgery, overhearing other people talking about your bank, insurance company, dentist, telecommunications provider, the Inland Revenue Department or the Board of Trustees of your children’s school.

Customer engagement strategies lead to business growth

Gallup recently studied a specific business category that illustrates the impact of customer engagement ratios on marketplace performance. As part of their ongoing research into the casual dining industry, they completed a multiyear study (2006 to 2008) that asked customers about their engagement with the restaurants they visit. The results revealed that restaurants with high engagement ratios clearly outpaced the overall industry in terms of growth.

Conclusion

In conclusion, measuring customer satisfaction is a useful, but incomplete, way of determining what your customers think of your company or brand. Measuring customer engagement is more meaningful and strategically relevant as it measures not only customer satisfaction and willingness to recommend, but also the emotional connection between the customer and your brand.

William J McEwan summed it up very succinctly: "Satisfaction" is a rather poor measure of the strength of a customer relationship, and it's an inappropriate goal to set for company managers. "Good" performance won't deliver brand passion. And yet, as Jim Collins pointed out in his book *Good to Great*, too many companies have become content with pursuing "good" - the enemy of great. Marriages require more; loving involves a whole lot more than liking."

Reference

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