The Four Keys to Customer Loyalty

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> I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel.
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> - Maya Angelou, Poet and Author

What is a customer?

Ask this question to anyone in the public or private sector and you are liable to receive many variations on the same definition. You may hear a customer described in terms such as profit units, components of a balanced scorecard, affecting the bottom line, target markets, market share or key demographics. Frequently, customers are only represented as numbers and percentages captured in balance sheets and presented in boardrooms on profit and loss statements. A universal truth in business is that organizations primarily think of customers in terms of what they mean to their bottom line.

Who is a customer?

Who is the person behind the number? Who is the person that is part of the target market and represents your key demographics? Looking beyond how they are represented in the boardroom, at the most basic level, a customer is a human being. More specifically, a customer is a human being with feelings. And, everyone has customers, internal and external, in the form of direct consumers, constituents, or business to business. But, when is the last time you went to a meeting and reviewed a financial forecast that highlighted your customers' impressions of how your organization treats them? How they feel about the products and services your organization delivers? How they feel during interactions with your organization?

We acknowledge that all of your customers affect your bottom line. And, your customers' feelings are what help determine the extent to which they will positively or negatively affect your bottom line. So, you may continue to refer to your customers in terms of statistics, market share, and key demographics. But, never forget that there is a person behind the terminology, a person with feelings.

Feelings count

Customers have choices. Rarely are products and services so vastly different or unique that an organization is not threatened by competitive pressures. What causes a customer to choose one product or service over another is the way they *feel* about the product and how they *feel* they are treated by the organization. This is particularly evident in the demand today for stellar service and its impact on building customer loyalty. Regardless of changes and multiple demands on an organization, one constant driver of maximizing sales and market share is the daily delivery of stellar service that *not only meets customers' expectations, but exceeds them*.

Organizations that listen and respond to the way their customers feel will succeed and thrive despite changes or demands in the marketplace. Ultimately, it is feelings that influence and are responsible for customer loyalty.

The Payoff

Loyal customers demonstrate their loyalty through certain behaviors that benefit your organization. These behaviors include resisting offers from the competition, recommending you to others, and working with you when they experience a service breakdown. The payoff is described in the four R's:

■ **Retention** – Customers who continue to do business with you provide a solid base for success. Your most loyal customers should cost you the least to service because they are not as sensitive to competitive pressures.

■ **Referrals** – Loyal customers encourage others to choose your organization or product over the competition, saving you the substantial cost of acquiring new customers. Where yesterday's "word of mouth" could influence a dozen individuals, today's "word of mouse" via e-mail or blogs can influence thousands.

■ **Reputation** – Loyal customers speak well of you. They increase public support and positive interest from investors, suppliers, future employees, the media, and even regulatory bodies.

■ **Revenue** – Loyal customers give you a larger share of their business, which increases overall revenue and the recognition that comes with success. Cross-selling and up-selling to existing customers is the primary growth strategy for many organizations and is particularly lucrative with loyal customers.

By ensuring your customers are—more than satisfied—*dazzled*, your organization should be rewarded with behaviors exhibited through the four R's. This applies to all types of organizations, private or public and all types of customers, internal or external. Customer loyalty has become critically important for the public sector and can result in increased compliance from constituents, enhanced public image, increased public support, and the potential for greater support for budget requests.

If your concern is primarily internal customers, you can also reap the benefits of their loyalty through higher employee retention, better collaboration and cooperation, higher morale, better responses to change, and resilience during restructuring.

Regardless of your industry or customer type, the risk of not meeting and exceeding your customers' expectations is that they will begin to exhibit non-loyal behaviors such as switching to a competitor or communicating their discontent with your organization to several if not hundreds or thousands of other existing and/or prospective customers. The cost to your organization of these non-loyal behaviors is debilitating. Every situation is unique, but the following data reflects the general truth about the effects of non-loyal behaviors.

- It costs an average of 5 times as much to attract a new customer as to retain an existing one.

- On average, dissatisfied customers tell 10 to 16 people about their negative service experiences.

- It takes 12 good service experiences to overcome a single bad one.

- 91% of unhappy customers won't buy again from the company that displeased them.

- Of customers who switch to a competitor, up to 80 percent say that they were satisfied before making the switch.

The cost of losing customers is not only a threat to an organization's existing marketshare, but also to its potential for future growth in the market. The expenditures in time and money *made* to overcome negative customer experiences consume budgets and manpower that are most likely already overextended. Organizations can help prevent non-loyal customer behaviors and benefit from the four R's by making each customer feel their expectations are met and even exceeded during every interaction with the organization.

The 4 Keys to Customer Loyalty

For over three decades, AchieveGlobal has been researching, analyzing, and helping improve the way the world's customers *feel* about their experiences in various industries and transactions. This work has taught us powerful lessons that are straightforward, and easy to share.

Through its research and analysis, AchieveGlobal has identified four fundamental keys for delivering stellar service and unlocking customer loyalty. These keys have time and again helped organizations achieve their desired business results. And, as leaders of organizations, achieving these desired business results is strongly related to how your customers, whether internal or external, feel about your organization. As you read through these keys, think about how your organization could realize numerous benefits through them.

Key #1: Customer loyalty is earned through a series of Defining Moments™.

Strategic organizations segment their customers and the marketplace, treating each segment as one big "customer" with common needs and responses to the organization's offerings. Organizations then tailor their sales and marketing strategies to these segments. Each customer segment, however, is comprised of many individual customers—who, individually experience the service your organization provides.

That customer experience is a series of what AchieveGlobal calls "defining moments." A defining moment is any point in time when someone has the opportunity to form an impression about you and your organization. A defining moment is not a full transaction—it's only one of many moments that all add up to one "customer experience." Each defining moment can be positive, negative, or neutral. The goal is to make as many defining moments as possible positive so that the overall customer experience is positive and memorable.

When the customer pulls into the parking lot *of your store*, this is a defining moment. *Do I feel confident that I'm at the right place? Do I feel safe? Do I feel welcome?* When the customer is greeted by a service provider, this is *also* a defining moment. *Do I feel valued? Do I feel like the service provider is listening to me? Do I feel pressured?* Whenever the customer asks a question, or receives an answer, waits in a line, or navigates a Web page—each of these is a defining moment.

Neutral defining moments usually don't register any emotions at all. Positive defining moments leave the customer feeling positive (happy, pleased, affirmed, etc.) about the organization. Negative defining moments also turn into strong feelings: dissatisfied, cheated, disrespected, etc. Those *feelings*, positive or negative, are much more memorable than other technical aspects of the experience because they affect the individual customer at a personal level.

Successful organizations go so far as to identify and map all the defining moments in a customer's typical experience, allowing them to analyze and strategize about how to make more of them positive. It's especially valuable when they map a customer's experience when things aren't so typical, allowing the organization to anticipate and hopefully avoid negative defining moments. At each defining moment, your organization is positively or negatively affecting customer *feelings* that, in turn, contribute to that customer's sense of loyalty.

Key #2: Customers judge each defining moment based on specific service expectations.

Although defining moments occur at the individual customer level and are judged based on the expectations of that individual customer, certain expectations have been identified that organizations can use as benchmarks in their delivery of customer service.

AchieveGlobal researchers interviewed service providers, their managers, and their customers, collecting over 3,000 "critical incidents" (short examples of good and bad customer experiences). In each incident, one or two key behaviors were central to the experience. Those behaviors were sorted into similar categories, then further sorted out and combined until four main qualities appeared. The final report found that, regardless of industry, product, type of service, or country, customers value those four qualities in the service they receive. Delivering on these four expectations is essential to creating positive defining moments.

■ Seamless: *The ability to manage service factors that are invisible to the customer (behind the scenes) so that supporting processes and systems are aligned with the experience*. Customers want to take advantage of the full range of services your organization offers, however they do not want to talk with numerous people or worry about the service details. Customers expect you to coordinate events on their behalf.

■ Trustworthy: *The ability to provide what was promised, dependably and accurately*. Customers want to feel they are in capable hands and that promises will be kept. They want things to be right the first time. Should something go wrong, customers expect a quick and thorough recovery.

■ Attentive: *The ability to provide caring and individual attention*. Customers want you to acknowledge them quickly and politely—and to treat them with respect. They want you to meet their business needs in a way that helps them feel good about the interaction, and to welcome the opportunity to serve them.

■ Resourceful: *The ability to provide prompt service and creative solutions*. Customers want a flexible approach to service. And they expect you to meet and handle their needs in prompt and creative ways.

How seamless or trustworthy does an interaction have to be in order to make an experience positive? Customers make that judgment based on their service experiences elsewhere,

what they feel is appropriate for the situation, what is typical for a similar business, and the organization's reputation. Customers have expectations for products and services as well as for what you put them through (what they experience). You don't always have control over the products and services. However, you do have control over what your customers experience with you. When an organization consistently exceeds customer expectations, it is rewarded with customer loyalty.

Key #3: Customers experience each defining moment in the Three Dimensions of Service™.

Obviously, the main reason a customer comes to an organization is to do business. But the customer experience is much more complex than that. Both the customer and the service provider have three kinds of needs which must be anticipated and addressed in order to earn customer loyalty.

■ **The Business Dimension.** A business need prompts the customer to seek your service. An organization that does not satisfy the customer's business need will not retain that customer for long. Meeting that need fully and quickly helps create positive defining moments which help build customer loyalty. Your organization, too, has business needs, which you must meet during every transaction. Balancing both business needs, the customer's and the organization's, is a big challenge of achieving stellar service experiences.

■ **The Human Dimension.** Every customer needs respect, understanding, and individual attention in addition to the tactical completion of the business transaction. Your organization's skills in the human dimension help you meet those needs – sometimes with a cheerful hello and sometimes by defusing an angry outburst. You, too, have human needs during a service interaction, such as courtesy and recognition of your expertise.

■ **The Hidden Dimension.** Much of what an organization does is hidden from customers—following policies and procedures, teaming up with co-workers, or "bending the rules" to solve a customer's problem. The skills behind the scenes support your performance with the customer. Leaders in the organization have more influence over the hidden dimension than anyone who works for them, so there is special accountability. Recognize, too, that a customer's hidden dimension—events or attitudes unknown to you—can affect a service interaction. Even though this dimension may not be readily evident, you can learn to recognize cues that will guide your service to each customer.

Service providers who manage and link all three dimensions of service create positive defining moments that help the organization earn loyalty.

Key #4: Creating positive defining moments in every personal interaction will build a culture of service.

As stated in Key #1, strategic organizations segment their customers and the marketplace in order to target their sales and marketing strategies to specific customer groups. No organization can afford to provide the same level of services to each of their customer segments nor would they attempt to. It negates the reason for segmentation.

But, no organization can afford not to deliver the same level of customer service (creating positive defining moments) to every individual customer. AchieveGlobal defines a "customer" as anyone who counts on your products or services. Thus, these service concepts and skills apply to all personal interactions. Regardless of the segment or value to the organization or longevity of relationship; whether external, inter-departmental, direct-report employee, or prospective employee; whether interacting face-to-face, by phone, in print, or online—every customer should experience positive defining moments in the form of specific service expectations in all three dimensions of service.

In order to illustrate this point, a distinction must be made between *Services* and *Service.* Organizations use *services* in varying combinations as important segmenting tools. To attract high-value customers, an airline might offer pre-boarding privileges, a bank might offer an assigned personal representative, or an insurance company might offer a multi-line discount. Properly designed *services* can be powerful attractors, but the problem is that *services* seem to buy loyalty (or at least the perception of loyalty); customers only remain loyal as long as the value of the services is competitive. Because services can be directly related to budget expenses, they are typically easy for competitors to match or exceed.

As well as being innovative in the services arena, organizations should offer a consistent level of *service* to all customers. An organization's brand equity and reputation demand long-term consistency. Each of the four specific *service* expectations—seamless, trustworthy, attentive, resourceful—might look different to each customer segment, and each segment might have different Human, Business, and Hidden needs. But

every segment and every customer within a segment expects all four specific service expectations in all three dimensions of service. Your success will depend on finding a way for every customer to experience your *service* brand consistently while varying the *services* received.

Consistency of "service" is important for two other reasons. Despite advances in customer relationship management, a service provider does not always recognize the "value" of each individual customer during each transaction. Consider the the emotional response and then the inevitable loss of business from your highest-value customer who experiences a negative defining moment. It is best to err on the side of giving your "least valued" customer your best service. Second, it is important to remember that customers also move from segment to segment over time and will remember the feelings they experience throughout their relationship with your organization. Those initial feelings will influence future loyalty behavior after they've become your most "valued" and valuable customer.

Fortunately, this consistency of "service" isn't hard to operationalize. It's within the common empowerment level of every employee, ensuring accountability. An organization won't likely empower a frontline employee to change interest rates or otherwise create new *services*, but every employee can create positive defining moments in their every day delivery of stellar *service*.

Service can also be a more sustainable competitive advantage over *services* because its unique human component is more difficult for a competitor to match or exceed. Service can also be used successfully to compete against a more attractive offer of services. Your most loyal customers should be your lowest cost customers in that you do not have to bribe them to stay when competitors continually raise the bar of services.

Most of all, this distinction helps to clarify what "customer focus" means. If that means your focus is on a customer segment, then *services* are important. Your service providers will know that means they should readily and eagerly ply that segment with attractive offers—whatever it takes to get the business. But if, to you, "customer focus" means making the customer experience positive for every segment, then "service" is important.

Services are how you get customers to come to you. *Service* is how you get customers to stay with you. Loyalty is built through *service*. Service also transcends whether a customer is internal or external and whether the type of interaction is in-person, via e-mail, or on the phone.

Organizations often forget that the concepts and skills build more than just external customers' loyalty—the application of them increases the loyalty of internal customers as well. Successful organizations believe that everyone has a customer. Whether you serve external customers directly or support those who do, someone depends on you–and that person is your customer. Loyalty from internal customers is just as significant as it is from external customers because it benefits the organization in different ways. For example, higher employee satisfaction has been shown to affect increased customer satisfaction and retention which, in turn, can improve revenue and cost savings.

In addition to influencing the loyalty of all customer types, these concepts and skills also apply to all types of customer interactions. Successful organizations will evaluate every defining moment—including asynchronous communication such as e-mails, Web pages and advertising—against the customer's specific service expectations in all three dimensions of service. In fact, now more than ever, with the increased usage and reliance on technology for communication, the risk of losing sight of customers' feelings is greater than it ever has been. It is imperative that when using these non face-to-face interactions, you take into consideration the fact customers will still evaluate the interaction by how they feel just as they would if they were interacting with you in person. There is certainly a human dimension to every e-mail, so the same human skills you use face-to-face—demonstrating interest and concern, communicating the customer's value to your organization, diffusing emotionally charged situations, etc.—apply when writing an e-mail.

As with services, the quality of service that an individual can provide is dependent on the support of a supervisor, as well as service delivery and support systems—the hidden aspects of service that customers rarely see. Every person—and every function in the organization–ultimately affects the frontline service provider or the customer in some way.

The better each person's actions align with the customer's needs and expectations, the more likely the organization is to consistently deliver a dazzling experience.

Organizations that apply the concepts and skills of service in all personal interactions build a culture of service that drives customer loyalty.

Feeling Sure

Do you know how your customers *feel*? And, do those within your organization responsible for creating these feelings know what you expect them to do during each defining moment on a daily basis? Take a moment and reflect upon these four keys and whether or not the concepts exist at your organization. And, if not, how could your customers benefit from their application?

Key #1: Customer loyalty is earned through a series of Defining Moments™.

Although organizations may segment customer groups for marketing purposes, customers are individuals first and foremost. And, each of these customers must feel they are being treated as an individual and not as a segment, with unique needs and feelings that must be satisfied according to their own expectations. It is then, during a one-on-one interaction, that a customer experiences and then forms an opinion about the service your organization provides. Each customer experience is a series of what AchieveGlobal calls, *Defining Moments™*.

Key #2: Customers judge each defining moment based on specific service expectations.

Certain expectations have been identified that organizations can use as benchmarks in their delivery of customer service. Customers have the following four expectations of organizations and your ability to deliver on these expectations is essential to creating positive defining moments:

Seamless

Trustworthy

Attentive

Resourceful

Key #3: Customers experience each defining moment in the Three Dimensions of Service™.

Both the customer and the service provider have three kinds of needs that must be anticipated and addressed in order to earn customer loyalty.

1) The Business Dimension: An organization must meet the business need of the customer fully and quickly in order to help create positive defining moments.

2) The Human Dimension: An organization must ensure that the customers' basic human needs for respect, understandings, and individual attention are fulfilled as well as their business needs.

3) The Hidden Dimension: An organization must ensure that the hidden or "behind-the-scenes" activities are all in alignment in order to consistently meet and exceed customers' expectations during defining moments. And, organizations must be willing to anticipate the hidden attitudes or feelings that a customer may have in order to successfully deliver a defining moment.

Key #4: Creating positive defining moments in every personal interaction will build a culture of service.

Organizations offer both *services* and *service*. Organizations use *services* to attract high-value customers with such things as discounts and frequent user benefits and are used for only certain customer segments. The consistent delivery of stellar customer *service* to all customers (internal or external) is paramount. *Service* transcends whether a customer is internal or external and whether the type of interaction is in-person, via e-mail, or on the phone. *Services* are how you get customers to come to you. *Service* is how you get customers to stay with you. Loyalty is built through Service.

ABOUT THE AUTHOR
Todd Beck, Global Solution Architect

Todd is responsible for maximizing the financial performance of AchieveGlobal's products and services. He analyzes investments to prepare market and business plans; advises the various departments as they design, build, and sell; and then manages each product throughout its life cycle.

Since joining AchieveGlobal in 1997, he's managed the technology-based training products, helped create a learning architecture to guide future development, and helped develop AchieveGlobal's corporate strategy for eLearning business. Continuing his involvement in the launch of AchieveGlobal's new brand, he helped revamp product packaging. While managing the Service Portfolio, he launched two flagship products including the company's customer service system, *Achieving Stellar Service™ Experiences.* He also led the fundamental redesign of trainer certification policy, process, and materials.

Todd often represents AchieveGlobal—in person, on camera, by phone, or in print—to industry groups and media outlets around the world. Interview and presentation topics include customer loyalty strategy, customer service improvement, the use of technology in training, etc. Venues include American Society of Training and Development, Brandon Hall, *Call Center Magazine, Chief Learning Officer Magazine,* Contact Center Association of the Carolinas, *Contact Professional Magazine, Customer Interaction Solutions Magazine,* ICCM Conference, International Society of Performance Improvement, *SBusiness Magazine,* TechLearn,*TeleProfessional Magazine, Workforce Management Magazine,* various AchieveGlobal-sponsored national speaking campaigns, and countless client-sponsored events and Webinars.

After one year as an advertising account executive, Todd spent nine years at Continental Airlines: two in call center management, four asa customer service training developer and graphic designer, and three years in marketing product management. His specialties were international and technical projects. Todd earned a BA in advertising copywriting and an MBA in marketing from Brigham Young University.

About AchieveGlobal

In the 21st century, the level of human skills will determine organization success. AchieveGlobal provides exceptional development in interpersonal business skills giving companies the workforce they need for business results. Located in over 40 countries, we offer multi-language, learning-based solutions—globally, regionally, and locally.

We understand the competition you face. Your success depends on people who have the skills to handle the challenges beyond the reach of technology. We're experts in developing these skills, and it's these skills that turn your strategies into business success in the 21st century.

These are things technology can't do. Think. Learn. Solve problems. Listen. Motivate. Explain. People with these skills have a bright future in the 21st century. AchieveGlobal prepares you for that world.

About The Workforce Development Center at Bunker Hill Community College

The Workforce Development Center at Bunker Hill Community College supports the training and education needs of the business community in Greater Boston. It seeks to improve the skills and knowledge of incumbent workers that leads to improved job performance, morale, and productivity.

With a considerable training network consisting of subject matter experts from a variety of fields, the Workforce Development Center can deploy these adept facilitators to your work site for consulting and training engagements.

The bottom line result: Close desired performance gaps leading to better business performance.

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