

# Building customer loyalty



**Customer loyalty matters because selling more to existing customers is easier, and cheaper, than finding and selling to new ones.**

Loyal customers tend to buy more, more regularly. And they will frequently recommend your business to others.

This briefing covers:

- Understanding who your most valuable customers are.
- How to achieve a high standard of customer care for all your customers.
- How to turn your most valuable customers into your most loyal customers.

## 1 A total approach

### 1.1 Make customer care a key part of your business **strategy**.

Effective customer relationship management means organising your entire business to focus on the needs of customers.

- List your top ten key accounts, and give these customers the best service.
- Make sure customer-facing employees have access to all the information they need to serve customers efficiently. Give them the power to make certain decisions independently.
- Draw up a set of procedures and standards to be used wherever customers have direct contact with your business. For example, set standards for speed and courtesy when answering phone calls.

### 1.2 **Learn** as much about your different customer segments as you can.

(See Research for your marketing).

- Find out what, when and how customers buy, and use this information to improve the service you offer. For example, a travel agent could send customers information about their favourite resorts around the time they normally book holidays.
- As part of your sales and marketing strategy, set out the levels of service you plan to offer your different customer types. For example, you might assign key account managers to your largest or most profitable customers. (See **Your sales strategy** and **Planning your marketing**).
- Find out more about your customers by generating opportunities for feedback (see **3.1** and **3.2**).

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### 1.3 Develop a **brand** around your company, products or services.

If customers can identify with your company and feel good about it, they will be more likely to remain loyal.

- Create a consistent, clearly defined identity for your business or product.
- Advertise to build brand awareness of your product or service. See **Advertising strategy**.

However strong your brand is, it should always be accompanied by consistently high levels of customer service.

## 2 Essentials of customer care

Whatever added extras you may offer, they will be useless if you do not give your customers excellent basic service.

### 2.1 Encourage **employees** to deliver high-quality customer care.

- Make sure employees have good basic communication skills.  
For example, poor spelling and grammar will ruin the credibility of letters, emails and faxes.
- Train employees in job-specific skills.  
For example, get sales people to listen to the customer more, so they sell intelligently, not aggressively.
- Train all relevant personnel how to answer and deal with telephone calls.
- Make sure employees can handle complaints effectively.  
They should apologise, be sympathetic, listen, establish the facts, agree what to do, and then do it.

Ask employees for ideas on how your customer service could be improved.

### 2.2 Think of ways to make life **easier** for customers. For example, a retailer might provide customer car parking, and a simple procedure for returning unwanted goods.

- Concentrate on providing quality service in key areas.  
For example, customers often complain that deliveries or maintenance people fail to arrive on time.
- Try to save the customer inconvenience.  
For example, the motor trade gives top priority to maintaining stocks of 'vehicle off road' spares.
- Exceed your customers' expectations. For example, promise delivery in ten days, but

actually deliver in seven. Always keep your promises.

- Keep customers informed about any problems, and make it easy for them to contact you. For example, by offering fax-back forms or freephone numbers.
- Use your website to give customers services and information they want.  
For example, you could provide a simple ordering system using secure servers, useful information – including answers to frequently asked questions (FAQs), and technical advice – or a tracking system for orders placed.

### 2.3 Use appropriate **technology**.

- A good database system can help you record, organise and plan your contact with customers.  
Make sure information from your website can be transferred to your main database.
- Contact management software may be a useful tool if you have a lot of high-value customer accounts.  
You will need to explain the advantages of the system to employees, and provide training and incentives for use.

### 2.4 Give customers a **personalised** service.

- A common way to achieve this is by giving each customer an account manager.
- Personalise all communication (see 4).  
For example, a well-organised receptionist who greets a customer by name can make the customer feel special – and show how friendly and efficient your business is.
- Personalise the email addresses of customer-facing employees (eg `firstname@yourcompany.co.uk`).
- If you use computerised telephone systems, give customers the option of talking to an operator at any time.

## 3 Customer feedback

The more you know about customers, the better you can meet their needs.

### 3.1 Create opportunities for **feedback**.

- Ask new customers why they chose you over the competition, and existing customers what you could do better.
- Set up a customer hotline, and make sure the number is on every piece of paper you send out.
- Get feedback online by putting an email response form or newsgroup on your website.

“Many companies regard complaints as free feedback. The best way to improve customer loyalty is by improving your service.”  
**Dave Patten,**  
**Merry Marketing**

“Pay special attention to both sets of VIPs; your Very Important People, and your Very Irate People.”  
**Clare Scott**  
**Dryden,**  
**management**  
**consultant**

- Newsgroups may need filtering or editorial control. Make sure you have time to deal with this before setting it up.
- Consider making all or part of your website registration-only to allow you to get more information about customers.
- Encourage complaints, as only one in ten dissatisfied customers bothers to complain otherwise.  
Complaints are a vital indicator of what needs to be improved – and how to gain a competitive advantage.

### Give top customers more

Small firms often find that a few big customers are responsible for a large proportion of their profits. Keeping these customers happy is essential – so you should reserve a special level of service for them.

Give key customers extra benefits which are particularly visible.

#### A Make it **easier** for them to buy from you.

- Waive restrictions such as minimum order quantities.
- Give them first options on opportunities such as discounted stock clearances.
- Set up a dedicated extranet ordering system.

#### B Let key customers know you **value** them.

- Invite them to special events (see **5**), or give them special gifts.
- Reinforce the idea that they are valued customers in all communication with them.

#### C Ask for their **opinions** before making significant decisions.

- For example, discuss your ideas for a new product, or a new brochure.

#### D Invite them to join a **club**.

- You could give key customers the opportunity to meet regularly to discuss important issues and enjoy networking opportunities – broadening the scope and value of what you offer them.

Only make promises you can keep. If you say you will speed up delivery but then dispatch goods late, your special service will be meaningless.

- Carry out occasional customer satisfaction surveys. Keep the questions brief and specific, and offer entry into a prize draw as an inducement to return the form.

#### 3.2 Contact any customer who has stopped buying from you (a **lapsed customer**) and find out the reason.

- Assign a skilled person to this task, otherwise customers tend to give easy answers, such as “you are too expensive”, which may hide the real reasons.

#### 3.3 Monitor and **analyse** the contact you have with customers.

- Keep a record of customer feedback to help you identify problem areas. Find out what caused each problem.
- Use hit analysis software to discover which of your web pages are most popular.
- Call analysis software lets you monitor selling and levels of satisfaction.

## 4 Communications

If you keep a dialogue going with customers, they will be more likely to buy from you in the future.

#### 4.1 When marketing – or selling – to customers, divide them into at least **three groups**, and plan a different type of communication for each.

- Group one is potential customers who have not yet purchased anything. For example, someone who has made an enquiry as a result of an advertisement.  
The aim of your communication is to build interest in your products. You may also be trying to make a sale at this initial stage.
- Group two is customers who have made a purchase.  
Your aim is to increase the frequency of their buying and to sell them other products in your range.
- Group three is your premium customers, who already make regular purchases.  
Your aim is to turn them into ‘advocates’ who recommend you to their contacts.  
Your communication is based on showing your appreciation and keeping them informed, rather than selling them products.

#### 4.2 Only offer products that **match customers’ needs**.

- Ask your customers which of your products they are interested in.

“Managing the increasing amount of customer relationship management data and knowledge is a frequent problem. It is important that you find the right technology to effectively manage your data and measure the return on your investment.”

**Mike Johnston,**  
Chartered  
Institute of  
Marketing

For example, send out a questionnaire.

- Regularly mail (or phone) them with special offers, and news about your new products. Suggest products which will enhance or upgrade what they have already bought.
- Include a checkbox in your written mailings, or on your website, that customers can tick to confirm they want to receive future communications.
- Ideally, you should anticipate when they need to re-order.

**4.3 Have regular contact** with customers. For example:

- Telephone key customers regularly to get feedback, or send them a newsletter.
- Send best wishes for Christmas, anniversaries or other occasions. Be original. The challenge is to distinguish yourself from all the other suppliers who do this. For example, you could avoid the Christmas post by sending an electronic greetings card direct to your customers.

See **Marketing with your database and Marketing on the Internet.**

## 5 Entertainment

One route to achieving customer loyalty is to become friends with your customers. When entertaining customers, choose events that reflect your company image and set you apart from your competitors.

**5.1** For your most important customers, entertain on a **one-to-one** basis.

- An occasional lunch or an after-work drink can be fitted into most people's schedules.
- Activities like golf provide a relaxed, non-work environment to get to know people in.
- Find out what your customer's interests are, and indulge them.

**5.2** If you need to entertain large numbers of customers, consider having an **annual event**.

This need not be expensive. For example:

- A specialised travel company might put on a video or slide show each year, plus an exhibition of customers' photos.
- An injection moulding company might combine a presentation on state-of-the-art plastics technology (by a suitably high-profile speaker) with some kind of entertainment afterwards.

## 6 Added-value schemes

A successful loyalty scheme pays for itself by encouraging more frequent purchases. The most common loyalty schemes are based on offering rewards to loyal customers.

**6.1** A **cumulative** (or 'retrospective') discount gives customers money back whenever they reach specified spending targets.

- Retail businesses can offer loyalty cards which work this way.
- Your accounting system may need to be able to track the purchasing activity of each customer and flag up the discounts as they are earned. If customers have to ask for the discount, you may achieve less loyalty as a result.

**6.2** Some schemes offer customers a discount off their **next purchase**. For example, you may issue discount coupons. If they are only valid for a limited time, you also encourage prompt action.

- Be aware that discounts may cheapen your product in the eyes of the customer. For this reason, businesses often prefer to make offers such as '20 per cent more for the same price'.

**6.3** Some schemes offer the customer **rewards**.

One danger of discounts and rewards is that your customer might have made the purchases anyway, in which case you are wasting money.

### Expert contributors

Thanks to **Mike Johnston** (Chartered Institute of Marketing, 01628 427306); **Dave Patten** (Merry Marketing, 01823 490782); **Brendan Austin** (Marketing Guild, 01904 520820).

### Further help

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name, such as **Research for your marketing**.

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