

# BusinessMantra™

Understand your customer behavior to achieve sustained growth



## How Loyal Are Your Customers?

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Whether you are a for-profit business or a non-profit organization, you have customers. You undoubtedly try to make sure your customers are happy and satisfied with the value your organization provides them; but, in spite of your best efforts, your customer retention is never 100%. You are always concerned that your competitors will take your customers away. In an effort to prevent this from happening, you try to understand their behavior using various tools that may be available to you but you still lose customers. Why?

In this *Mantra™* I will help you understand customer behavior from a different perspective. You can apply it in your own business and increase (or at a minimum sustain) your sales.

### How do you gauge customer behavior?

Your customers are the foundation of your business. It is important for you to understand why they choose to be your customers and why they will continue to be your customers in the future. You must know what makes them stay with you and what could cause them move over to your competition. What gauge do you use to assess their behavior? Undoubtedly you conduct surveys and gather various kinds of market data but are those activities giving you a good assessment of your customer's behavior? It is commonly recognized that the traditional gauges for customer behavior don't work very well and businesses lose customers all the time. Sometimes when an organization loses a key customer the hell breaks loose. The reason why the traditional gauges don't work very well is that people are not asking the right questions. Many organizations may not even realize what the right questions are and they continue to collect data that is either no good or cannot be put to any real use.

### Are you asking the right questions?

Frederick F. Reichheld, a Fellow at the management consultancy firm Bain & Company, has researched customer behavior extensively and published many books and articles on this subject. In an article - The One Number You Need to Grow, published in Harvard Business Review in 2003, he states that asking too many questions in customer satisfaction surveys seldom provides a good reading of customer behavior. He suggests that businesses should instead focus only on CUSTOMER LOYALTY. Reichheld says that the ultimate proof of customer loyalty is the customer's willingness to refer your business to someone they know. He has defined one question that every business should ask every customer.

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Call Prafulla Pande to discuss how you can take your business to the next level.

Reichheld's ultimately loyalty question is:

How likely is it that you would recommend us to a friend or a colleague?

The answer to this question can help you create meaningful marketing strategies. But first here is how Reichheld suggest you should collect responses to the ultimate loyalty question. Have your customers respond to this question on a scale of 0 to 10 with 10 being the highest. Accumulate the responses in three categories. Label the first category with customers giving 9 or 10 as promoters; the second category with customers giving 7 or 8 as passives, and those giving 6 or lower as detractors. Once you have categorized the data calculate the percentage of customers that reside in each category. Calculate your Net-Promoter Score (NPS) by subtracting the percent detractors from the percent promoters. Once you know you're NPS, you should focus efforts on increasing this score.

### Why is Customer Loyalty so important?

The term *customer loyalty* describes the behavior of repeat customers, as well as those that offer good ratings, reviews, and testimonials. Some customers offer favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a customer happy so they will provide more sustained business.

The ultimate goal of customer loyalty programs is to create happy customers who will return to purchase again and persuade others to use that organization's products or services. This equates to sustainability of the organization.

The primary goal of a CEO in any organization should be to improve its customer loyalty. Without a clear strategy behind this your customers will come and go – only a few will stay for the long haul. GE has very successfully implemented Reichheld's concept and so can you. You start by making customer loyalty improvement a part of strategic plan and high priority within your organization.

### How can you increase your Customer Loyalty?

Every customer is looking for value. In addition the customers also care for how that value is delivered. A couple of months ago I wrote a *Mantra* called "Who thinks you walk on water". When your customers think that your organization walks on water they will be extremely loyal and will be promoters. This can happen when they experience the following behavior from people within your organization:

- ✚ Exceptional commitment
- ✚ Extraordinary care
- ✚ Exceptional willingness
- ✚ Exceptional unselfishness
- ✚ Exceptional trust
- ✚ Unconditional help
- ✚ Extreme compassion

If you truly want to improve your NPS and customer loyalty, build a culture of customer service that includes some (or all) of the above attributes.

### **Use Customer Loyalty Data in your marketing**

The customer loyalty data is extremely valuable. It can help you take your marketing to the next level. Here is how: After you have placed your customers in the three categories, analyze each customer and identify reasons why certain customers are promoters while others are passive or detractors. You will see some patterns that will help you develop the profile of protectors. When you have developed this understanding, you can start assessing your prospects and get an idea of where they will be on loyalty scale should they become a customer. This can also guide you on the amount of effort you want to invest toward a particular prospect.

### **From the Coach's Tool-Box – What does Customer Loyalty meant to you?**

I have talked about loyalty of your customers. What if you were to do some reverse thinking? Each one of you is a customer of a number of organizations. Do some soul-searching and assess who you are loyal to and why. Write down the names of 3 to 5 companies that you are loyal to and against each write down the reasons behind your loyalty. Once you start to focus on your personal loyalty factor, you will begin to get a clearer understanding of the sentiments of your customers.

### **Some inspirational quotes**

The following inspirational quotes all point to one thing – The customer is King. These quotes will help you focus on customer loyalty.

- ✚ Quality in a service or product is not what you put into it. It is what the client or customer gets out of it - PETER DRUCKER
- ✚ If we don't take care of our customers, someone else will – UNKNOWN
- ✚ Being on par in terms of price and quality only gets you into the game. Service wins the game - TONY ALESSANDRA
- ✚ Our greatest asset is the customer! Treat each customer as if they are the only one! - LAURICE LEITAO
- ✚ The goal as a company is to have customer service that is not just the best, but legendary - SAM WALTON