

A few tips on...

**WHAT DRIVES
CUSTOMER
LOYALTY**



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We get tons of information from customer service, but it's really important to know how to use that information and not just take it at face value. It's necessary to interpret customers, not just take them word for word

Maryam Mohit
Vice President, Amazon

Almost every major company now conducts sophisticated customer research and analysis. And with good reason: it's imperative that we all have in-depth knowledge of our customers in order to provide the right product or service to meet their needs.

The irony is that by relying too much on this kind of approach, we can actually distance ourselves from customers. So much traditional research relies on the use of surveys, interviews and focus groups rather than real-life observation. These methods collect rational views about what customers think, and sometimes how they feel, about their experience. But customers are rarely able to articulate creative ideas for making the experience better.

The power of instinct

In our own work with successful business leaders, we consistently find that most of the new and innovative business ideas come from entrepreneurs who operate more from their own observations and insights rather than analytical research; they are so tuned in to observing, engaging and empathising with their customers, that they instinctively know what would turn an average experience into a great experience.

Look beyond your industry

Also interesting is that many of these companies also look for insight beyond their own industry. They are more focused on comparators than competitors.

As Tim Sefton,
Customer Director, O2 told us:

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We're looking for the trends that are impacting customers lives at a macro level. What sets us apart is that we are more likely to focus on trend spotting in the world of fashion or in completely parallel universes and try and see how we could apply those insights to our business

That's not to say that these brands don't value traditional research. They do. But they also understand that to rely on research alone not only slows down your ability to act quickly, it also impedes your ability to act innovatively and means that you are more likely to be acting on exactly the same data as your competitors.



For brands such as Harley Davidson, it's all about engaging with customers more often. They actively encourage their people to spend time riding with their customers and being with them whenever the opportunity arises.

But it's more than just engagement. When it comes to your brand promise and customer experience design – employees need to be absolutely grounded in hard data – specifically in the customer values that drive loyalty and advocacy in your business.

WHAT DRIVES CUSTOMER LOYALTY

How do you identify what drives loyalty and advocacy to your brand?

Our **Customer Experience Survey** provides a simple three-step framework for achieving this.

First - determine your most profitable customers

Focusing on multiple market segments is good for communicating your promise but useless for defining it. You'll end up trying to be all things to all people and end up being nothing very special to anyone.

The fact is that a few customers will typically represent the significant proportion of your profit. These are the ones you want to retain and find more of.

Only the requirements and expectations of your valued customers should be used to drive strategy development and investment.

As soon as you start trying to please all customers, you dilute your distinctiveness and ability to compete profitably.

Understanding why a customer is valuable to you and what they expect will become a key capability in your business. So increase your focus on your primary target customers, what you stand for as a brand and the value you bring them. You can then decide how this can be dialled up or down for other segments.

Second - determine their top expectations

A key component of a branded customer experience is being differentiated in a way that is valuable to target customers. It is all very well, knowing who your most profitable customers are, but you also need to know what these customers value and the three or four most important attributes that drive attraction, retention and referral.

Identify the key customer touch-points.

You will want to use these as a framework for your research.

Qualitative research.

Focus first on a small number of representative target customers. Use focus groups or interviews to probe for likes, dislikes and loyalty drivers, but the key question to ask is 'What do you value most from a best-in-class provider offering our type of service/product?' Ask them to prioritise and rate your brand against these expectations.

Quantitative.

Focus on the top 20-25 expectations only (most surveys are far too long) and use these to build an on-line survey to collect data from a larger group of target customers. The larger the number of participants, the stronger the validation. Online surveys typically get a response rate of 10%, so allow for this when deciding on your survey quota. The key thing is to ensure that your data set is robust enough to determine the value drivers statistically.

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Third – determine the value drivers

Correlate the results with intention 'to return' or 'recommend' to form a core set of value drivers. These will be the basis of your brand promise. We typically identify between three to six value drivers and these become the foundation for defining your customer promise.

Fourth - create an expectation map

Cluster customer expectations so that you can quickly identify what is important at each touch-point with your brand. This will help with your experience design. If you need to find out how to create an experience map see pages 244-248 of our book 'Managing the Customer Experience - turning customers into advocates'.

Finally - ask your people

The people who interact with your customers every day will often perceive things that delight customers or frustrate them. These might well be things that customers do not articulate or are even aware of consciously. This insight is critical to enabling you to exceed customer expectations. It is also important to know what impedes employees delivering a great experience. Do they know what the brand stands for and what customers expect? Do they get the right leadership support, the right communication and training and are they supported by the right technology and processes? By involving your people at an early stage, they'll feel part of the process. Our *Employee Experience Survey* will help give you insight into these crucial questions.