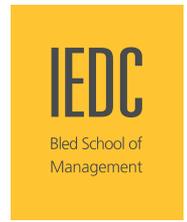


IEDC Faculty: Learning from the best



A School with a View

Prof. Juan Serrano

“CUSTOMER LOYALTY IS NOT A MARKETING TRICK”

Truly loyal customers have a strong impact on sustained profitability

Customer loyalty goes far beyond just preventing customer desertions (running away to the competitors), since it explores also the nature of relationship. The concept needs to be thoroughly understood, and most importantly, well-measured, since the companies' resources are limited, says Juan Serrano, partner in the Transforma – ISA Group Consulting.

Any company interested in taking customer loyalty seriously should ask themselves if the relationship they are building with that customer is bringing the company the benefits that could derive from a true loyal customer. This is what we call “relevant behaviors”, and it has a strong impact on sustained profitability, says Juan Serrano, who is going to give a lecture on managing customer relations and customer loyalty at the IEDC-Bled School of Management. In his view, customer loyalty is much more than CRM (Customer Relationship Management): CRM is a tool to implement the practices that have been largely used for years in an elite of smaller businesses, also in the medium and large companies, mainly to manage knowledge of the customers in an effective way. Knowing the customers is in the base of customer loyalty, but customer loyalty is not just CRM.



How can the customer loyalty be measured? Which are the tools?

I have always suspected from companies telling me that they value customer loyalty, or customer satisfaction very highly, but are unable to give a measured answer when I ask about results. In Bled we will be covering a whole set of tools (including practical cases) that are normally used by companies who manage customer loyalty effectively. I always say that "total customer loyalty" may not be possible, and - if possible - might be too expensive to obtain. That is why you need to make your analysis, in a segmented way, measure the profitability obtained, and act accordingly. Your resources are limited; you have to make sure you use them in the most effective way possible. This includes different action plans with different types of customers.

You mention that the customer loyalty can be improved. How?

This is probably too long to answer in this moment. It depends on the company. But as a general rule: You have to start by measuring (in a segmented way). Then you will have to set the foundations: getting to know your customers. Checking if your current processes, your systems and your people support your "mission" to create loyalty. Loyalty is created by people. They have to be committed with the project. There is not customer loyalty without employee loyalty.

Who in a company should be most loyal towards customers?

Everybody - this is extremely important. Customer loyalty is not a marketing gimmick. It is not a technique. It is a philosophy, it is a mentality, and it's a way of view-

ing the relationship you are building with your customers. A way of understanding "in what business you are in." It deeply affects the mission, vision and values of any company. As we just said in the previous question, there is no customer loyalty without employee loyalty, but it also affects the stakeholders, the shareholders, not to mention the management. It is not about doing things right. It is about creating a fascinating experience to your customers, an experience that would leave them very clear of any doubts about coming back in the future. One that will leave them anxious to try that other new product that you are offering, one that will make them give so much word of mouth, that will make all your marketing campaigns look like games. Can you tell me how can you "fabricate" that output, that "fascinating experience" if, for instance, the back office is not thinking in the same terms, and "talking the same language"?

Can a company go too far in this loyalty? Could customers get annoyed? Where are the limits?

Customer loyalty is not "being on top" of a customer. It is getting to know them. This includes knowing how often and in what fashion should you design the communication with them. It is personalizing - even with mass customization, if necessary - everything; starting with the communication. I am sure you have a favorite waiter, in a restaurant, or a bar, or a favorite owner of a small fish or meat, or vegetable stand. Maybe it is newsstand, or perhaps this little place where you take your car for maintenance. It is definitely someone you trust.

Do you feel "overwhelmed", harassed, by their "marketing pressure"? Of course not, not if they have the kind of "trust based" relationship with you that I was asking you about. Why? Since they know you, they care about you and a relational mentality, not a transactional one. They want you to come back many times. They want to grow with you. They are not so much into selling you something, but into "conquering" your trust. And they know that this strategy will be very profitable, and what's more: it will be sustainably profitable.

You said to have a lot of experience in several companies all over the world; could you say which are the most common mistakes they make in that area?

There are many common mistakes. Very often companies try to "buy" customer loyalty. They think they can obtain it through gifts, presents, just by giving away "points" through the so called "loyalty programs". This is, as we say in Spain "bread for today and hunger for tomorrow". It is so short run looking that people will shortly laugh at it, and will be skeptical, with reason, about it's practices. Others try to "force it". For that purpose, they try to set the so-called "switching costs" as high as they can. They make it a cumbersome experience to switch suppliers. They want you to think "its not worth the trouble", because, after all "they are all the same". They don't end up with loyal customers; they end up with "hostages" that will try to grow somewhere else (or leave, if they can). But probably the most common mistake is considering customer loyalty -as I mentioned before - as a marketing gimmick, as a gadget, as a fashion.