Customer Loyalty
How to Earn It, How to Keep It
by Jill Griffin

What exactly does a company need to do to create loyal customers? Where do you start? Who do you target, how do you get customers to buy from you repeatedly, and ultimately, how do you turn repeat customers into your strongest advocates?

In Customer Loyalty, Jill Griffin gives us the answers to these questions and more. She examines the complex relationships that develop between a company and their customers and offers strategies and action steps to enable your business to maximize, optimize, and fully realize the potential for building a base of consistently profitable customers.

Prior to founding the Griffin Group, a company that specializes in customer loyalty research for firms including Dell, Hewlett-Packard and Sprint, Jill Griffin was a Senior Brand Manager for RJR/Nabisco and National Director of Sales and Marketing for AmeriSuites Hotels.

Many people talk about customer loyalty, but Jill Griffin is a real expert on the subject, a person who can actually help you understand HOW and WHY it occurs and how to go about building it in your business.

But before we embark on that journey, let's be clear on the first question we must ask:

What is Customer Loyalty?

According to Griffin, the concept of customer loyalty involves behavior more than attitude. When customers are loyal, they exhibit non-random purchasing behavior over time and they possess a specific bias concerning what they buy and from whom they buy it. Closely linked with, and essential to customer loyalty is customer retention, the length of the relationship with the customer, and the percentage of a customer's budget spent with the company.

How does Customer Loyalty Affect the Purchasing Cycle?

Every time a customer makes a purchase, they are stepping into the purchasing cycle. It begins with an awareness of your product, moves to the initial purchase, the post-purchase evaluation, the decision to repurchase, and ultimately, the repurchase. Each step gives us the opportunity to develop customer loyalty.

Awareness of your product is critical and is the first opportunity to establish the share of mind required to put your product ahead of the competition. Potential customers may become aware of your business via ads you put in the newspaper or on radio or TV. The next step is convincing the prospect to try your product.
Factors that influence whether a potential customer becomes a customer include the ease of learning about the product, the ease of the actual purchase, encounters with employees, and the physical location and appearance of the store or business. Even the speed of download and navigation of the company Website can have an impact. A negative experience during the approach to a trial purchase — even in something as minor as difficulty with parking near your business — can significantly impact a potential customer.

The initial purchase presents your company with an opportunity to begin to establish loyalty by providing a positive experience for the customer. Once the purchase is made, the customer evaluates the product and their experience. The motivation for repurchase is derived from a positive initial buying experience that competitors don't appear to offer.

Sunday River, a ski resort in the eastern United States, offers a good example of a proactive and successful purchasing cycle. When Leslie Otten first purchased the resort in 1980 he tried to attract new customers with lower prices, longer hours and more services. Five years later Otten was no further ahead. Sure he lured some customers from the competition by pricing his services lower, but he found that many of his customers were also lured away for some other reason at the same time. “Rather than striving for new market share, engaging in a competitive discounting war, or luring new customers through short-term incentives, he decided to launch a campaign of ‘growing’ customers.”

He began courting first-time skiers at Sunday River by making their experience as easy as possible. For example, the resort started to educate their skiers via a local radio station they could tune into on their drive to the resort. The program provided insider tips and information about issues from lift ticket purchases to how to select instructors and guides.

Otten also initiated incentive programs where guests received a free day of skiing once they took three lessons, and even sold equipment at cost to encourage guests to make a commitment to continue skiing. These “nonprofit” steps created loyalty by providing an exceptional ski experience that guests wanted to enjoy again and again. Moreover, the initiatives have translated into impressive gains to the bottom line. Previously, only 40% of the guests returned but Sunday River now has a 75% return rate, and gross revenues have tripled from $6 million to $18.3 million. As expected, changing strategy from price cutting to creating and growing loyal customers was a huge winner for Leslie Otten and Sunday River.

Now that we have taken a bird's eye look at the purchasing cycle, we need to examine each of its elements. How do we turn suspects into prospects, prospects into first-time buyers, first-time buyers into repeat customers and repeat customers into loyal clients? Finally, how do we achieve the ultimate feat — turning loyal clients into advocates — your most powerful source of future business?

**Turning Suspects into Qualified Prospects**
According to Griffin, developing loyal customers begins by searching for the type of customer that you can really deliver value to and then determining how best to reach that prospect. Michael Schrage, a columnist for the Wall Street Journal, makes an important distinction: "contrary to popular belief, customer service doesn't begin with the customer's expectations of the business — it begins with the business's vision of the customer."

Identifying your target customer is critical to your success. Steve Tran, a salesman at an automobile dealership in Houston, recognized that the car market was far too competitive for him to just wait for customers to show up and buy a car; he had to seek out his potential purchasers and bring them in. He also recognized that as a Vietnamese immigrant who had struggled with both language and cultural differences, he occupied a unique position to provide a desired service and product. Tran studied the local telephone book and sent letters to every Vietnamese name he could find, written in Vietnamese, introducing himself and his products. Within four months of taking this initiative, Tran led the dealership in sales.

**Moving From Prospect to First-Time Buyer**

"Can I trust you?" is the first question most people ask themselves when they consider dealing with someone they haven't done business with before. So how do you create trust when you have no history together? The best way to do so is by establishing credibility. And how do we do this? One powerful method is to become a recognizable name to your prospect.

A study on credibility found that when people hear about you, your company or your product four or more times, they tend to perceive you as credible. This principle led sales management expert Rick Barrera to his cardinal rule of prospecting: before you appeal to someone's need, first become familiar and recognizable. So Barrera always sends prospects three or four letters, a week apart, before making his first sales call. This way he avoids ever making a cold call.

Another extremely important way to establish trust with prospects is by becoming an effective listener. Listening is key to building trust because of three important factors.

1. I'm more inclined to trust a person who shows respect for me and for what I say.
2. I'm more likely to trust you if you've listened carefully to what my problems are rather than telling me what my problems are, and,
3. The more I tell you, the more I trust you.

Even though everyone understands that listening skills are critical to the sales process, very few salespeople are good listeners. A recent survey of 432 corporate buyers found that 87% of the respondents said that salespeople don't ask enough questions about their needs, and 49% reported that salespeople just "talk too much."
Why is listening so hard and why do so few people do it well? The answer is surprisingly simple: the fact is that we think much faster than we talk. The average rate of speech is about 125 words per minute and the human brain finds that to be very slow. As a result, most people find that they have time to think of things other than the words that are being spoken. The listener continuously gets sidetracked with his own thoughts and then begins to miss the speaker’s message.

So how do we address this problem? Here are four processes you can use to help you stay engaged with the message being delivered:

1. Since you have time to think of other things when someone is speaking to you, make sure you use that extra time trying to anticipate where the conversation is heading, this will keep you engaged and stop you from getting sidetracked thinking of other things.

2. Carefully weigh the evidence used by the speaker.

3. Review and mentally summarize the points of the speaker periodically; and

4. Pay attention to nonverbal communication to see if this supports the spoken words.

So now you’ve chosen your target market and begun to build trust with your new customers. It's time to take the next step.

**Building Your Base of Repeat Customers**

While each customer, sale, and relationship is unique, there are a number of strategies that everyone can use to encourage their customers to return.

**Say thank you for the purchase.** A simple and honest thank you is a great step in building customer loyalty as it demonstrates that you appreciate the business. Griffin cites the amusing example of author Murray Raphael, who in the span of a few months purchased a $5,000 air conditioner, a $600 TV set, a $17,000 car, and a $50 pair of shoes. He only received a thank you for the shoes! Because "thank yous" are so rare, you will stand out in the customers mind and this will increase the bond they feel to you.

**Seek customer feedback early and respond quickly.** For AmeriSuites Hotels in Dallas, this means contacting the person who made the travel arrangements, for example, the secretary of a businessperson who is a guest, while the guest is still in-house. This proactive approach has impressed many corporate clients and ensured their repeat business.

**Capture customer information and use it.** Fischer Florist in Atlantic City maintains a database of flowers sent by customers for specific occasions — birthdays, anniversaries, and the like — and sends reminder cards to their customers for each occasion. Clearly, this repeat order strategy works, as Fischer Florist is one of the top FTD florists in the United States. And their customers don't see these reminders as intrusions, as a matter of fact they have received calls from
customers who are annoyed if they don't, for whatever reason, receive their reminder!

Use these tactics and your first-time buyer will evolve into a repeat customer.

**Turning Repeat Customers into Loyal Clients**

Griffin offers many guidelines on how to navigate this critical part of the cycle, from insulating your best customers from competitive attacks, to making top spenders your biggest priority.

One key strategy she suggests to ensure your repeat customers become loyal customers is giving all your employees the tools to build customer loyalty, especially those who directly interact with your clientele.

Nissan provides a terrific example of a company that gives their people the tools to create loyal customers. The company operates a six-day camp for dealers of its Infiniti luxury cars that all employees, including clerks and receptionists, must attend. "The receptionist probably talks to more customers than any other person in the showroom," says instructor Ken Petty. "Our receptionists can tell you how the cars handle on the track, and they've driven the Lexus, Infiniti's key competitor, too." Every employee at the dealership is equipped and empowered to answer any question about the Infiniti line-up, which in turn, inspires both confidence and loyalty in customers.

One of the prevalent reasons for underperforming employees is that companies set high customer loyalty standards without giving employees the tools to perform to that expectation. If you empower your employees and give them appropriate training and resources, dramatically improving customer loyalty becomes an attainable and realistic goal.

**The Ultimate Goal: From Loyal Client to Advocate**

Referrals are the most powerful tool any business can use to recruit new customers. Why are they so effective? Referrals come from an objective third party, someone who knows you and your products and services, is confident in your ability and reputation, and has no financial motive in promoting you. In fact, with a good referral, your product is often sold before you have even met or spoken to the prospective customer.

A phenomenal word of mouth success is embodied in the story of how M. Scott Peck's book, *The Road Less Traveled* became a New York Times bestseller and how it stayed on the list for more than nine years. When it first appeared in bookstores, it spent months languishing on the shelves. Two people who did read the book and found it worthwhile, a teacher in Buffalo and the publisher's sales representative in New York City, told friends and colleagues about it, and they told more people, who told even more people which eventually created a demand that soon caught the attention of the book's publishers, Simon and Schuster. They re-
launched the book with a promotional tour and the rest, as they say, is history. *The Road Less Traveled* continues to break industry records to this day.

Another referral success story is Intuit, the company behind Quicken software, which holds a 60% market share in the personal finance software market. In the early 1990s, the products were sold by a sales team of just two people. Scott Cook, then CEO, explained: “Really, we have hundreds of thousands of salespeople. They’re our customers.” Intuit’s mission: "to make the customer feel so good about the product they’ll go and tell five friends to buy it."

**Customer Loss**

Winning back a lost customer can also play a significant role in the success of your business. Research shows that a business is twice as likely to successfully sell to a lost customer than to a brand new prospect.

In order to win back a lost customer, you must ask them: "What steps can we take to win back your business?" Listen carefully to their response, meet their requirements, be patient with their concerns, stay in touch, and make it easy for them to come back to you. When that customer does come back, earn their business every day.

When the Toronto Raptors had to win back fans after a 191-day lockout by the National Basketball Association, their main focus was wooing back the four thousand season ticket holders who were already disgruntled and ready to walk away from a league that many felt was placing the interests of superstar players and team owners ahead of their own. By utilizing voice software technology rather than the traditional and slower direct mail, management was able to rebuild a relationship with season ticket holders by updating them on seating, new players, and many other things of interest to fans. They maintained this strategy over weeks and then months, and ultimately succeeded in preserving their customer base.

**The Way to Many Happy Returns**

The question Jill Griffin is asked most is: "With today's cut-throat competition and the seemingly endless number of options consumers have, does customer loyalty still exist?" Her response is an emphatic Yes!

Griffin makes her case by pointing to Starbucks, perhaps today's best example of customer loyalty. The coffee company sells not just a cup of coffee, but rather offers an experience at a premium price and is an undisputed success with coffee lovers who return again and again: the average Starbucks customer visits eighteen times a month and spends an average of $3.50 per visit. With over 11,000 outlets in 37 countries and still growing strong, Starbucks is proof positive that real value wins customer loyalty.

For Griffin, the success of Starbucks and many others is directly linked to their
ability to establish and nurture loyalty with their clients. They all build loyalty in every stage of the purchasing cycle and you can too by using the ideas and processes presented here. Customers are the lifeblood of every company, so use Griffin's strategies to create loyal customers and watch your business thrive.