The Top 9 Ways to Increase Customer Loyalty

Follow these strategies and enjoy an immediate lift in the loyalty of your customers.

What Is the Key to Business Success?

Every company executive will agree that having loyal customers is a key to business success. But what are executives really doing about it? Most will point to their customer care training or CRM system and say, "that's how we take care of loyalty here." Some will point to their monthly newsletter or discount program to demonstrate their efforts. All of these are good attempts. However, they are not enough. They may make an impact, but creating customer loyalty is something that must be the center of the company.

Fostering true loyalty and engagement with customers starts with the basics. These nine principles will guide you in your efforts to create greater loyalty and engagement within your organization. Customer loyalty measures are some of the most critical ways to retain your customers and help your business grow faster. They can create a powerful competitive edge. To understand why customer loyalty is crucial to business success, let's review some common problems facing most businesses today:

Common Problems

"Each year the average company loses 10-15% of its customer base."

BAIN & COMPANY

"84% of customers who leave, do so because of poor service."

FORUM CORP

"A typical business only hears from 4% of its dissatisfied customers—the other 96% leave, 91% for good."

JIM BARNES, "SECRETS OF CRM

Companies are losing customers at a staggering rate, without really hearing from most of them.

By understanding the following principles, and putting them into practice at your organization, you'll foster a culture of greater loyalty and engagement that will reward you with greater profits.

If you can't tackle all of these right away, start with just one, then move on to another, etc. The most important thing is that you start as soon as possible. As you better practice these principles, and track results, you will see loyalty levels increase.

These topics can be separated into three primary groups:

- Basic Concepts

- Technologies

- Business Outcomes

Basic Concepts

Understand three fundamental concepts about customer loyalty in order to make sure you are building on a solid foundation.

1 **Satisfy your customers with product quality**

Satisfaction is the difference between your customer expectations and your service delivery. Know your customers' expectations and be prepared to change your product or service depending on what they want. This is basic business 101, but it is too often ignored. Companies try all sorts of loyalty and sales gimmicks, yet ignore the fundamental business concept that business needs to be a balanced transaction: someone pays for something and expects a fair trade in return. Expectations of product quality come from many sources, including previous quality levels set by your organization, value propositions set in the competitive landscape, and impressions in the media.

2 **Build loyalty by exceeding expectations & building opportunities for repeat business**

A generation ago, customer loyalty was a different game. Today's customers are quick to switch to the competition. Remember, your competitors are only a mouse click away.

- Be acutely responsive to customer questions, comments, and complaints (yeah, that's right, complaints.) Often, these are your MOST loyal customers. If you resolve a complaint quickly, you can actually GROW loyalty

- Drive product development to offer more value for less cost

- Give your customers a chance to be loyal by offering products for repeat business

Did You Know?

"60% to 80% of defecting customers describe themselves as 'satisfied' or 'very satisfied' just before they leave."

BUSINESS WEEK

"It costs 5 to 10 times more to attract a new customer than to keep an existing one."

THE COUNCIL ON FINANCIAL COMPETITION

"70% of the reason customers leave a company has nothing to do with the product."

FORUM CORPORATION

3 **Engage your customers by reaching out to create a dialogue**

Providing your customers with an open channel for communication and feedback engages your customers and strengthens your relationship with them. Engaged customers are more satisfied, more loyal, and more likely to promote your company than unengaged customers. They go out of their way to show their association with your company. An engaged customer also supports you during both good and bad times, because they believe that what you have to offer is superior to what your competitors

have to offer. Engagement takes your customers beyond passive loyalty to become active participants and promoters of your product. Engaged customers will want to give you more feedback—and you should be ready to handle it! All this translates into more engage customers who will spend more money with you over time.

So how do you become a company that actively engages its customers? Follow these simple rules:

- Listen to customer feedback from social media, review sites, website feedback, account rep conversations and surveys

- Respond quickly and personally to concerns of high interest to your customers

- Organize unstructured feedback for tracking and trending over time

- Trust your customers to tell you what the problem is

- Use statistical techniques to discover which action items will have the most impact on your business outcomes

Technologies

Adopt technology to help you manage large volumes of unstructured data and create actionable information from your feedback.

4 Complaint Management

Managing questions, comments, and concerns benefits your business in two important ways. First, as mentioned earlier, research indicates that an upset customer whose problem is addressed with swiftness and certainty can be turned into a highly loyal customer. Second, unstructured feedback, gathered and managed appropriately, can be a rich source of ideas. Hidden gems exist in your customer's complaints. You can start to collect and use that information as you:

- Establish channels (electronic, phone, written) to build engagement one customer at a time

- Encourage customers to let their voice be heard

- Create metrics to improve response to concerns ("time to first response," "time to resolution")

- Create metrics to measure loyalty before and after the problem

- Use technology to help you centralize the information, create reports, and structure drill-downs

5 Proactive Surveys

Actively soliciting information from a population of customers is a time-tested technique pioneered by Arthur Nielsen (creator of the Nielsen ratings) in the 1920s. Survey research can be used for problem identification or problem solving. Questions with simple scales such as "agree/disagree" or "satisfied/unsatisfied" deliver quantitative insight for problem identification. Open-ended followup questions provide rich insight for problem solving. You can consult with one of our experts when survey help is needed.

- Make sure your surveys are short, bias-free, and well structured

- Use random sampling to gather feedback continuously without over-surveying

- Create summary survey indices that can be displayed graphically and tracked over time

6 Enterprise Feedback Management

Enterprise Feedback Management (EFM) is more than just collecting data. EFM adopts a strategic approach to building dialogues with your customers. By wrapping customer dialogues with technology, your company creates a structured, searchable, and quantifiable body of information that can be used to drive critical business decisions.

- Empower customers to give feedback through common advertised channels

- Centralize reporting for proactive surveys and complaint management solutions

- Structure quantitative feedback into a drill-down or rollup report

- Make open-ended feedback intuitively searchable

> **"Executives are finding that the winning differentiator is no longer product or price, but the level of customer engagement relative to the competition."**
>
> RAMA RAMASWAMI, SENIOR EDITOR ECONOMIST INTELLIGENCE UNIT
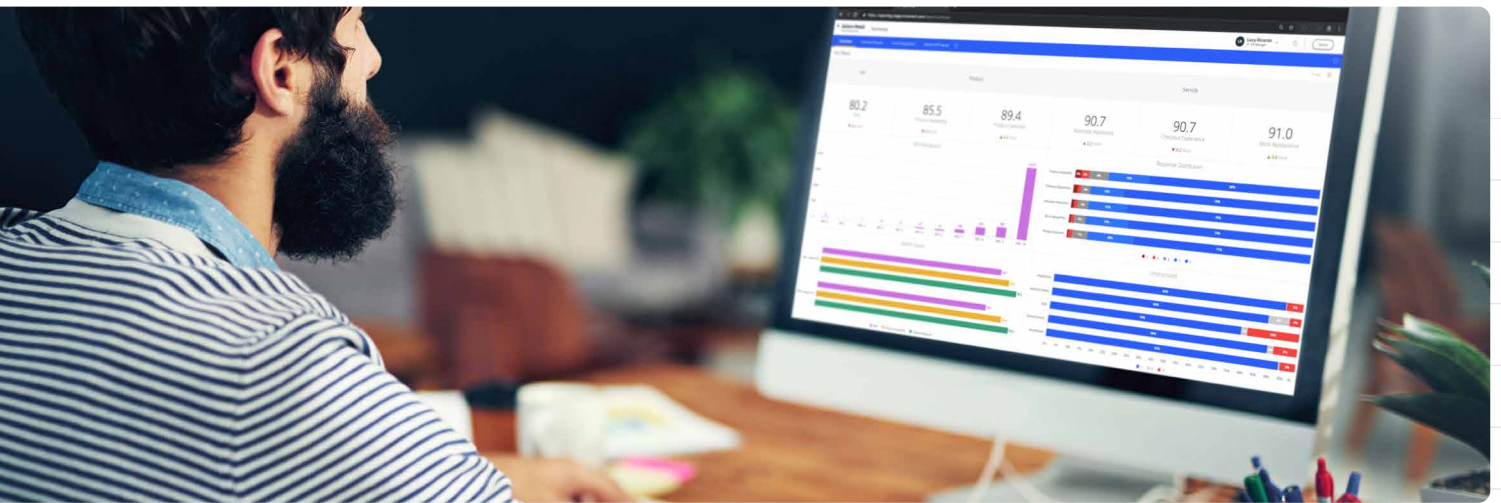
"The term Voice of Customer (VoC) is a term that started being used in 2004. Today, there are many companies that claim to be VoC, but most have only one or two components, and therefore are limited to just tactical feedback. For true VoC you need the ability to gather feedback, both solicited (such as through surveys and mystery shopping) and unsolicited (social media, web or other electronic submissions and in-person/live submissions).

Then, you also need the ability to manage that feedback, generate enterprise-wide reports, use analytics and dashboards, and make sense of it all with professional services. If a simple survey company claims they are a VoC provider, turn and walk away, quickly."

— InMoment

Business Outcomes

Tie the latest "soft measures" such as satisfaction, loyalty, and engagement to "hard measures" of actual business outcomes.

7 Descriptive Statistics

Answers to survey questions take the form of either categorical (What state do you live in?), order-scaled (To what extent do you agree with...), continuous-scaled (What year were you born?), or open-ended (What do you like about...). Descriptive statistics such as mean, median, mode, top-box, and frequency crosstabs summarize the multitude of responses into manageable information. Descriptive statistics may lie to you by failing to uncover relationships within your data, so be careful!

- Don't assume that the average is an appropriate measurement for every situation

- Make sure your analyst understands the nuanced interpretation of the right statistic

- Use crosstabs to begin to understand relationships between two variables

- Generously use graphics to convey information to non-technical people

8 Predictive Analytics

Businesses use a variety of statistical techniques to make predictions about the potential for future events. Furthermore, predictive analytics may be used to ascertain the degree to which answers from a survey relate to particular goals (such as loyalty and engagement). Tactical knowledge of action items that impact an outcome preserves resources wasted on ineffective programs, and competent statistical modeling reveals which tactical options have the most impact.

- Analyze data using a statistical technique to reveal the most important areas of focus

- Ask your analyst about common statistical methods including correlation, multiple regression, factor analysis, and logit models

- Recognize that the important areas of focus may change over time to respond with changes in the economic, competitive, and demographic environment of your business

9 Alignment with Business Outcomes

Whatever you do, the ultimate goal should be oriented to optimize business outcomes specific to your circumstances. Orienting your organization to focus on satisfaction, loyalty, and engagement is no panacea. However, researchers have clearly documented evidence of short-term benefits to customer/employee retention and long-term benefits to profitability. In the modern economic landscape, loyal customers and loyal employees supply your organization with a huge competitive advantage.

- Determine whether your engagement outcome is best measured by satisfaction, likelihood to purchase again, likelihood to recommend, or another voice of the customer (VoC) metric

- Create hybrid VoC measurements using more than one metric if necessary

- Link your VoC metrics with business outcomes like shareholder returns, annual sales growth, gross margin, market share, cash flows, Tobin's Q, customer churn, or employee turnover

- Be aware that changes in loyalty/engagement scores generally precede changes in business outcomes (typically by 45-60 days). It may not be the easiest process to do by yourself, but stay focused and keep your eye on the goal. Increasing your engagement and loyalty equals increased profits and a strong competitive edge. Don't feel like you need to do everything yourself. If you want to make it happen, choose a partner who has the technology, best practices, and experience already in place and ready to help you.

InMoment is that partner.

One of the biggest business growth opportunities today is to focus on *Customer Experience*. Companies that make it fundamental to their business cannot be touched by competitors.

They enjoy more profits during tough times, and grow faster during good times. It truly is an untapped opportunity just waiting for those who will grab it.

To demo a product or to contact us call:

NORTH AMERICA
+1 385 695 2800

UK & IRELAND
+44 121 296 5245

APAC
+61 (2) 8397 8131

GERMANY
+49 (0) 40 369 833 0

Or email us at sales@inmoment.com

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