

A

The customer

From the point of view of sellers ...

| | | | |
|----------|---|-----------------------|--|
| customer | { | | is when customers ... |
| | | satisfaction | are happy with your products |
| | | delight | are extremely happy with your products |
| | | allegiance loyalty | continue to buy from you |
| | | dissatisfaction | are not happy with your products |
| | | defection | stop buying your products |



B

Customer delight

When you get what you hoped for as a customer, your **expectations** are met and there is **customer satisfaction**. Products, sadly, often **fall below** expectations.

When expectations are **exceeded**, there may even be delight, extreme satisfaction, but this partly depends on how **involved** you are in the purchase. There is a difference in your degree of **involvement** when you buy different products. For example, there is low involvement when you buy something ordinary like petrol, and high involvement when you purchase something emotionally important such as a family holiday.

C

Customer dissatisfaction

Research shows that 95 per cent of dissatisfied customers don't complain, but just change suppliers. Satisfied customers create new business by telling up to 12 other people. Dissatisfied ones will tell up to 20 people¹. **Word-of-mouth** is a powerful form of advertising.

Some say that encouraging **customer loyalty** is important for profitability. They say that **customer retention**, keeping existing customers, is key. Getting **repeat business** is five times cheaper than finding new customers. (For another view, see the article opposite.)

Customer defection must be reduced as much as possible of course, but a company can learn from its mistakes by asking those who do leave why they defected; this is **lost customer analysis**.

Services like mobile phone and cable TV companies have to reduce **churn**, the percentage of customers who change suppliers or who stop using the service altogether each year. This is very costly – the companies would prefer, of course, to keep existing customers and add more in order to build their **customer base**.

¹ Philip Kotler: *Marketing Management* (Prentice Hall 2000, Chapter 2)

23.1 Match the two parts of these sentences containing expressions from A opposite.

- | | |
|---|--|
| 1 There is overwhelming evidence that customer satisfaction is correlated | a any existing borrower who moves home and continues to borrow with us is entitled to a one per cent discount. |
| 2 With our customer loyalty scheme, | b with employee satisfaction. |
| 3 The financial services industry is struggling, partly because | c prices in an attempt to stop customer defections. |
| 4 The Internet service provider has introduced flat-rate | d of customer dissatisfaction with high charges. |
| 5 Excellent product quality has helped them to build strong customer allegiance and | e than just mere satisfaction. |
| 6 Customer delight is more | f increasing market share. |

23.2

Dispensing with loyalty

The assumption that loyal customers are more profitable is debatable – companies need to focus on mutual benefit. Will we ever really get to grips with the concept of loyalty, or would it be better to dispense with it altogether? (1) It costs less money to serve loyal customers. They provide the best opportunities to sell more. But as companies experiment with loyalty marketing, doubts are coming to the surface. (2) In most categories, the big spenders tend also to be buyers of different products. It's the small spenders who buy the same brand again and again, but only very infrequently. This 100% loyal customer is worth hardly anything compared to the promiscuous 'fitter'. Conclusion: the 80/20 rule rules. (3) Ehrenburg's scepticism was matched by experienced business-to-business marketers who quickly pointed out that the most financially significant 'loyal' accounts are often the least profitable. (4)

Brand Strategy

This article contains words from B and C opposite. Complete it by choosing the best sentence (a–d) to go in each of the gaps (1–4).

- a Don't go for loyalty per se, go for the 20% of customers who really count, no matter how 'loyal' they might be.
- b One of the earliest doubters was Professor Andrew Ehrenburg of South Bank University, whose long experience with purchasing data led him to argue that often the most 'loyal' customers are the least profitable.
- c The big idea behind loyalty is that loyal customers are more profitable. Keeping existing customers is cheaper than finding new ones.
- d They're the product of big, powerful customers getting such good deals that there's hardly any margin left for the seller.

Now say which of these sentences better sums up the article.

- 1 Loyal customers are not necessarily the most profitable.
- 2 Customers who spend the most are the most loyal.

Over to you



Look again at the article above. Which view of customer loyalty does your organization, or one you would like to work for, take?