

BEYOND CUSTOMER LOYALTY

ENGAGED CUSTOMERS ARE MORE VALUABLE THAN JUST SATISFIED ONES

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An interesting thing has happened to many companies as they headed down the road to “customer satisfaction.” They created ostensibly happy customers — who then proceeded to leave them in pursuit of other brands. How can this be? They did everything right, or so they thought. They embraced the concept of customer satisfaction because they knew (or at least they were learning) that replacing customers is both inefficient and expensive. They conducted customer surveys. They installed new processes and procedures. They introduced mystery shopping and compliance audits to ensure that what they thought they were learning was translated into performance at the store or branch level. So, where were the happy customers?

Well, as any number of companies can attest: “Satisfied customers defect.”

Companies know they need to pay attention to their customers. They know the financial benefits that come from keeping their customers happy. And they’ve done their best to put “satisfaction” programs in place. None of this is new. Whether we’re talking about automakers or airlines, hotels or hospitals, drug companies or department stores, it’s rare to encounter a service marketer of any size that does not have some sort of service quality assessment program.

Yet, regular monitoring of various U.S. industries reveals that relatively few companies (17%, as of 2000) have improved their customer satisfaction index measures after six years. Fewer still — only 1 in 20 — show any consistent improvement on these scores.

The programs have been created and set in place, the money has been spent, and the task forces have been set up. But

the numbers, at least for most companies, haven’t moved. That’s why recent CEO surveys show that “customer loyalty” is now their number one concern. Particularly now in a tightening economy, company leaders know they need to hang on to what they’ve built, to retain the customers they’ve worked so hard to attract in the first place.

What, then, is the problem? Why is this still an issue? Why has so little apparent progress been made? Why isn’t customer loyalty increasing?

DO THE RIGHT THING

There is no single reason for the failure of many customer satisfaction programs. Instead, there are many reasons.

1 The wrong metrics

All measures are not created equal. Part of the problem may lie with the way businesses assess the relationship between company and customer. The strength of a customer relationship depends on more than simple “satisfaction.” Satisfaction reflects a degree of stated happiness with a current choice, but it says little or nothing about the customers’ feelings about other alternatives. Brands rated number one in “customer satisfaction” aren’t always number one when it comes to actual repurchase rates and loyal brand behavior. Single-item overall satisfaction measures don’t provide a very powerful link to actual customer retention and volume/share/profit growth. Loyalty indices that combine attitudinal satisfaction with behavioral intention measures are much better indicators. Satisfaction is only part of the puzzle. Satisfaction isn’t wrong, but it is most certainly incomplete.

2 The wrong lens

Too often, companies fail to tie the metrics they employ to the real business outcomes that are their ultimate aims. Thus, they fail to hold their measures accountable — to require that the metrics demonstrate their relevance through their proven relationship to business outcomes.

In addition, companies heavily emphasize the rational attributes that appear to underlie the customer relationship. These companies view the customer experience as a sort of simple, linear combination of individual “controllables”: clean bathrooms and hot hamburgers, service in less than five minutes, answering the phone in three rings and stating the customer’s name, or folding sweaters and keeping the dressing rooms neat.

Why? Not because these activities have a demonstrated relationship to business outcomes, but because these objective service features readily lend themselves to regular monitoring (“compliance audits”) and to processes that promise consistency in customer contact. Lacking reliable metrics, companies have overlooked what is difficult to measure, relying instead on that which is easy to manage.

FLINGS AND RELATIONSHIPS

Research by The Gallup Organization has shown that there is an essential ingredient in the customer relationship — an ingredient that companies typically overlook when they assess the strength of their customer relationships. This critical component is the emotional “attachment” felt by a customer. This attachment directly relates to the expressed loyalty of that customer and, more importantly, to the “share of wallet” and profit performance that results.

The problem, of course, is that companies have not had reliable measures of their customers’ emotional attachment to their brands. But emotional attachment very clearly exists, and it contributes mightily to business outcomes. The problem is that it’s been elusive and hard to measure. Well, not anymore. Gallup’s most recent research, conducted with more than 3,000 customers in six different product and service categories, has yielded a single metric (CE¹¹) that, for the first time, assesses the strength of this emotional connection between company and customer.

Is emotion important? It is indeed — for banks and hotels, for airlines and autos, and for credit cards and department stores. Customers who are emotionally bonded — who are fully engaged — pay companies back in important ways. They give a hotel chain two-thirds of their total business, instead of just one-third. Their total banking relationships average \$9,000 per customer more than their less engaged counterparts.

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3 The wrong emphasis

Companies are attracted to the prospect of a single solution — a “silver bullet” that will somehow make every customer more committed to the company after every encounter. It’s assumed that there is a set of specific behaviors that can somehow be grafted onto each customer touchpoint, resulting in the sort of

consistent experience that companies believe will yield a strong customer relationship.

Typically, this involves a “top-down” central fix whereby some corporate entity legislates the behaviors of the customer-facing employees. In reality, however, customers are different, and employees are different. One size will not fit all. If the goal is a truly engaged customer, specifying one, and only one, behavior won’t work. Rather, what the company needs to do is legislate meaningful outcomes, not dictate the exact path each company representative must take.

This requires looking deeply into the organization to empower the employees who touch customers and then involve those front-line employees — whether they create products or communications campaigns or directly serve customers — in developing solutions.

4 The wrong message

The unfortunate truth is that some companies undertake customer assessment programs simply because they feel they should. They don’t use the data. They don’t believe in it. They certainly don’t live it. It’s merely another requirement on a management checklist.

If management isn’t convinced of the value and daily importance of the program, it’s hardly surprising that the rest of the company doesn’t embrace it. Without commitment, without follow-through, the program may continue to exist. But it’s dead.

CREATING CUSTOMER ENGAGEMENT

What is needed? Actually, it's deceptively simple. To create a program that actually works, companies need:

1. Meaningful metrics — reliable and sensitive indicators of the real health of the customer relationship.
2. Commitment throughout the company — a clear and consistently reinforced focus on moving those numbers.
3. Education — guidance on how to actually move the numbers. Companies need to leverage their learning from within, sharing best practices that impressively demonstrate the ability of managers and associates to

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enhance the customer engagement for which they are held accountable.

Great metrics alone are not, of course, the answer. That's only step one. Knowing your cholesterol level doesn't mean you'll ever see the number change. To change it, you need to be fully committed to do what it takes — and you need the guidance to know what to do. If it were easy, everyone would do it.

So, too, it is with companies and the relationships they seek to have with their customers. Doing what is difficult also means doing what will be difficult for others to duplicate. Perhaps that is the real key to the marketer's search for sustainable brand differentiation and for customer-focused programs that actually improve the health of the brand.

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