

# **Creating a Bulletproof Customer Loyalty Plan**

*Boost Sales and  
Reduce Customer Churn*

**v1.1**

## **Creating a Bulletproof Customer Loyalty Plan**

<b>INTRODUCTION</b>	<b>2</b>
<b>THE DIFFERENCE BETWEEN CUSTOMER SATISFACTION AND LOYALTY</b>	<b>2</b>
<b>THE LOYALTY PLAN</b>	<b>3</b>
<b>WINNING CUSTOMER LOYALTY REQUIRES A SYSTEMATIC PLAN</b>	<b>3</b>
<b>PHASE I: ESTABLISH THE VISION</b>	<b>4</b>
<b>PHASE II: IMPLEMENT STANDARDS AND BEST PRACTICES</b>	<b>5</b>
BEST PRACTICE 1: SEE THE CUSTOMER'S POINT OF VIEW	5
BEST PRACTICE 2: PUT EFFECTIVE COMMUNICATION PROCESSES INTO PLACE	5
BEST PRACTICE 3: SET REALISTIC EXPECTATIONS	6
BEST PRACTICE 4: CREATE A PROCESS FOR OVERCOMING CUSTOMER CHALLENGES	7
<b>PHASE III: MEASURE LOYALTY PLAN EFFECTIVENESS</b>	<b>8</b>
<b>PHASE IV: ADAPT AND OPTIMIZE TO CUSTOMER DYNAMICS</b>	<b>9</b>
<b>TAKE CHARGE OF CUSTOMER LOYALTY</b>	<b>10</b>

## Introduction

How much would your sales and business influence increase if you could expand all your customer relationships to their maximum potential? In today's business climate, customer relationship management is issue Number One. Surprisingly, most companies still focus on short-term customer satisfaction while neglecting their customers' long-term success. This results in lost repeat business, fewer referrals, and constant customer churn.

In a recent study, Forrester Research discovered that, "Loyal customers have become increasingly hard to find."<sup>1</sup> Businesses both large and small seem unable to capture, capitalize, and cultivate long-term business relationships. Why? Achieving customer loyalty requires a shift in corporate mindset, an understanding of key loyalty concepts, and a relentless dedication to taking action and getting results.

### The Difference between Customer Satisfaction and Loyalty

Even though the phrase "customer loyalty" has been around for several years, few businesses realize what it is, and even fewer have a plan to achieve it. You must clearly understand what customer loyalty is, what grows it, and what kills it—before moving into the mechanics of a long-term plan.

- **Customer satisfaction is a measure of how well a product or service meets the customer's expectations.**  
Meeting expectations means just that. On a grading scale, that's a "C". If your business meets every stated customer demand, customers will likely be satisfied. What if the competition also does the same, who wins? More than likely, the "satisfied" customer will switch suppliers simply based on price.
- **Customer loyalty is the customer's commitment to you.**  
The customer's commitment to you is directly proportional to your commitment to the customer's success. On a grading scale, that's an "A". Loyal customers know they can depend on you to enable their success. Understand that Customer Satisfaction is a prerequisite for Customer Loyalty; you can't have a loyal customer without a satisfied customer.

## The Loyalty Plan

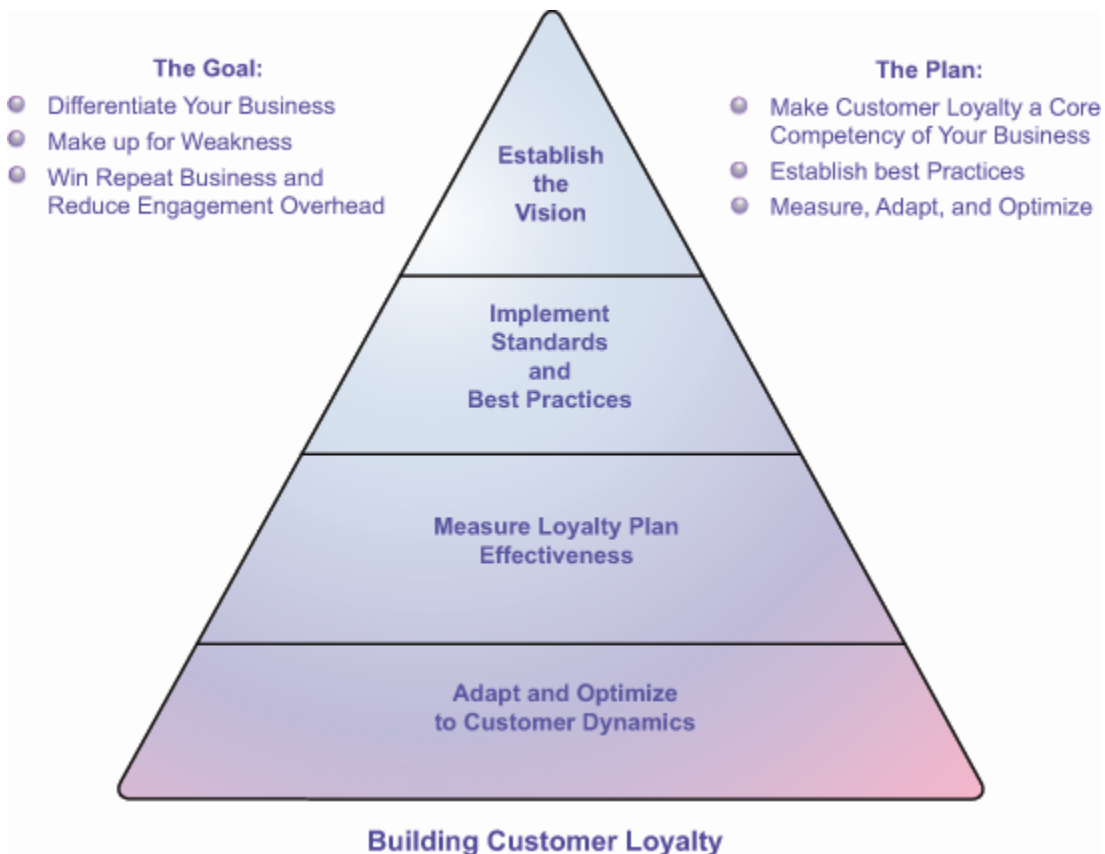
### Winning Customer Loyalty Requires a Systematic Plan

Achieving customer loyalty is not something that happens overnight, it takes foresight, fortitude, and creative thinking. The only way to win customer loyalty is to earn it. In the business world, the mantra of success continues to be, “What have you done for me lately?”

Many businesses lack a customer perspective, and treat customer loyalty using ad hoc processes, if at all. Making matters worse, most businesses do not have a plan for maximizing Return on Investment (ROI) from their customer relationships.

Imagine designing and marketing a new product without first analyzing the market needs, the product requirements, development costs, and potential sales channels. Why take the same approach with your customer relationships?

Winning the customer’s loyalty requires that you weave continuous, effective, and adaptable practices into the fabric of your business. These practices must be systematic, secure customer needs, and be reinforced by a management system that measures and adapts to customer feedback.



## Phase I: Establish the Vision

Traditional corporate cultures are product, feature, and price-focused. The end of quarter race to find the next sale is the bread and butter reality for most companies. After winning the deal, the sales team focuses on the next engagement and tosses the new customer over to the support organization. No longer feeling important, the customer slowly drifts away.

Adopting a customer loyalty vision and following through with action is a smart way to differentiate your business. To make this happen, you must be customer-focused at every step, within every department, and at all levels—from product design, to marketing, to sales, to support. An idea, mission statement, or slogan is not enough; your company must have a *passion* and a *plan* for achieving customer loyalty. Otherwise, there can be no meaningful results, only good intentions.

The customer loyalty vision must promote increased profitability through long-term customer success. The only way to achieve this is by developing and implementing a systematic plan of standards and practices that are relevant to you and your customer's business.

Use the following as key Customer Loyalty deliverables:

- **Document** the vision and its supporting processes.
- **Ensure** that all employees at all levels take responsibility for customer loyalty.
- **Implement** systematic business practices that target desired markets and adapt to the loyalty needs of these markets.
- **Execute** a management plan that captures and exploits the customer loyalty needs, which then drives the overall business strategy.
- **Anticipate** customer challenges using a proactive approach.
- **Leverage** ongoing customer input.

Building customer loyalty requires going more than the “extra mile”; you must be passionate and tenacious. Regardless of your position within the company, take charge and be responsible for customer loyalty. Mentor and edify others in your organization to do the same.

**“Make Customer Loyalty a Core Competency of Your Business.”**

With a solid customer loyalty vision and corporate buy-in, it's time to put systematic processes into place.

## Phase II: Implement Standards and Best Practices

The typical sales and support organization is reactive, shuffling from one crises to another. You can ease this constant firefighting mode by taking a proactive approach to customer management. The primary component of a customer loyalty plan is to develop and implement consistent, repeatable standards and best practices.

### Best Practice 1: See the Customer's Point of View

Do you *really* understand what the customer's long-term needs and wants are? Which of these needs and wants will trigger more sales? Businesses attempt to solve the loyalty challenge by implementing a plan without first understanding the problem.

Instead, study the customer's point of view before committing to any loyalty plan. This allows you to identify the primary roadblocks that hinder the customer's success and reduces their commitment to you.

Focus on the strategic customers first, and then move into the mid-tier and low-end clients. Although each customer has their own set of nuances and challenges, you will find that most customers share many of the same issues.

Start the "Customer Viewpoint Analysis" by asking the following questions:

- What are the primary issues that prevent the customer from achieving their business goals? What will help them achieve success?
- What does the customer value in a supplier? With this precious nugget of information, you can put a plan in place that *exceeds* their expectations.
- What turnaround time does the customer require for issues? Expect customer priorities to be dynamic and sometimes unrealistic. It's up to you to understand these variables and adjust expectations as needed.
- How does the customer prefer to prioritize and resolve issues? Your customer may or may not have a process in place. If they have a process, you can leverage this information in your loyalty plan. Otherwise, you must develop your own process and guide the customer accordingly.
- What drives the customer to buy *more*?

With the questions above answered, you can tailor your loyalty plan to focus on which of the customer's needs and wants build loyalty and ultimately generate *more sales*.

### Best Practice 2: Put Effective Communication Processes into Place

Does your company struggle with ways to stay in front of the customer? To capture and maintain customer loyalty, you must pay special attention to building and maintaining effective two-way communication. The goal is to open channels that enable customer productivity through a "top-down, bottom-up," approach.

#### Top-Down Communication – See the World from the Customer's Perspective

Sharp sales professionals know that face time with decision makers is critical for building a deep sales pipeline. Emails and phone calls are not enough. Harry Beckwith sums it up, "If you want personal loyalty, you must touch businesses personally."<sup>2</sup>

Face-to-face communication between your management and the customer's management builds rapport, introduces cross-team idea pollination, and ensures that issues will never escalate into a loyalty-killing virus. Use management-level communication to help identify process and relationship challenges from the customer's perspective. This guarantees quality control during the loyalty campaign and enables the setting of realistic expectations.

Your sales and marketing team should always be thinking about ways to get in front of the customer's decision makers. Take the extra step by walking in the customer's shoes. Make sure your sales and engagement team truly understand the customer's market, end users, and challenges.

Use the following "touch times" to build effective top-down communications:

- **Strategy Sessions** – Exchange product, project, and issue status with the customer's management team. This provides visibility into their high-level needs, and demonstrates that your company cares.
- **Project Milestone Events** – Show that you appreciate the customer by celebrating and acknowledging their victories.

The worst thing you can do is to waste the customer's time with frivolous meetings. Instead, turn your top-down touch time into high impact, mutually beneficial encounters. With solid management communication processes in place, you're ready to get down to the details of enhancing the customer's productivity.

### **Bottom-Up Communication – Focus on Boosting Customer Productivity**

Empowering customers with ways to improve productivity is the key to winning loyalty. Simply put, productivity improves the customer's bottom line. Do this by implementing proactive touch time opportunities that empower customers with the technical expertise they need to boost productivity. Focus your field technical team on customer employees and decision makers who use your solutions and are in a position to influence others within their organization.

### **Best Practice 3: Set Realistic Expectations**

Setting expectations with customers is critical. In fact, most companies have a low expectation of their vendors. Companies anticipate a business as usual attitude after the vendor books the deal. That's fine if you only want a satisfied customer. On the other hand, raising the bar high may cause your company to fall below expectations. Many an overzealous sales engineer has promised more than the team, or the company, could ever deliver.

When it comes to setting expectations, focus on these primary areas:

- **Process** – The process consists of the steps taken during every aspect of the customer relationship. Customers will be interested in how your company executes both proactively and reactively. The last thing you or your customer needs are surprises. After the customer sees you execute consistently, a level of trust develops. They know that you are dependable—a hard won and coveted position indeed.

## Creating a Bulletproof Customer Loyalty Plan .....

- **People** – Having the same face show up at the customer site builds confidence, but relying on one person puts your business at risk. Whenever possible, introduce at least two core experts. This enables cross-pollination within your team, and prevents complacency in the customer relationship.

In addition, ask the customer to identify a key point of contact from their end to make issue tracking and prioritization efficient. Your goal will be to groom this person into a “champion”—an internal advocate for your company’s solution.

- **Product** – This is the deliverable, whether a piece of software, meeting a deadline, or an answer to a support question. Customers like to know what and when the deliverable will arrive. By setting turnaround time expectations, you remove uncertainty. Make the customer feel confident that they can depend on your company to enable their success.

With proper expectations set, you can now show the customer that you care.

***“As your commitment to the customer increases, the customer’s loyalty to you increases.”***

### **Best Practice 4: Create a Process for Overcoming Customer Challenges**

Every customer relationship has difficulties, and even the most solid partnerships transition through positive and negative cycles. The way a business manages customer challenges will be the decisive factor determining long-term loyalty. Companies without a loyalty vision tend to pass a customer’s issues around the organization, avoid the responsibility, or worse, blame the customer.

Consider these statistics from McKinsey and Company<sup>3</sup>:

- Customers who have a problem but do not complain have a repurchase rate of 9%
- Those who do complain, regardless of the outcome, have a repurchase rate of 19%
- Customers who have their complaint resolved have a repurchase rate of 54%
- Customers who have complaints resolved quickly have a repurchase rate of 82%

Think of each customer challenge as an opportunity in disguise. In fact, customers whose problems are resolved professionally and systematically may become more loyal than those who have never experienced problems<sup>4</sup>.

Tools that help the customer resolve issues quickly should be your first line of defense. Online knowledge databases are an excellent way to provide customers with quick answers to common issues. This only works if the database is intuitive, easy to use, and provides information that actually helps the customer.

Going deeper, put into place a clearly defined plan of escalation and communicate this plan to the customer. Assigning a technical advocate responsible for each customer site provides a single point of contact and gives the customer someone who can drive issues deeper into your organization. This ensures systematic issue escalation, tracking, and resolution. As a result, the customer will see your commitment to their success.

### Phase III: Measure Loyalty Plan Effectiveness

After putting the loyalty plan in place, measure to determine which areas need refinement. Caution: Don't rely on those dreaded customer satisfaction surveys. Canned customer satisfaction surveys are useless. The well-known sales consultant Jeffrey Gitomer states, "Surveys are nothing more than a pat on the head."<sup>5</sup>

Collect useful loyalty metrics by putting repeatable methods into place. The only way to do this is by leveraging 360-degree, ongoing feedback from both the customer and your team's touch time opportunities. Without measurement, there is no way to gauge loyalty and take proactive, focused steps that move the customer up the loyalty path.

Here are some proven ways to objectively measure customer loyalty:

- **Proactive Referrals** – A customer's willingness to send business your way is one of the strongest indicators of customer loyalty. Internal referrals are worth their weight in gold, and are a true measurement of loyalty. Why? People put their reputation and careers on the line if a referred solution fails at their own company. On the other hand, external referrals are typically not career limiting.
- **Repeat sales** – Does the customer buy from your company every time they have a need? Do they approach you first? Or, do you need to approach them first and fight through a full evaluation and sales engagement?
- **Proactive endorsements** – Is the customer eager to talk about your company and the ways your solution enabled their success? Articles, success stories, press releases, and quotes in marketing collateral are excellent ways to grow and measure customer loyalty. Keep in mind that few companies will endorse your solution in print unless you approach them first.
- **Positive working relationship** – Does your field or sales team sense a change in customer attitude? Is the customer reluctant to supply information when requested by the support team? A cooling relationship is a sure sign that your loyalty plan is failing.
- **Complaints about pricing** – Price becomes an issue if the customer doesn't see the value of your solution. This may also be a sign that the customer is seriously considering the competition.
- **Issue turnaround time** – This is a major killer of customer relationships. This information is readily available from issue-tracking software. Though often seen as an expensive distraction by support organizations, issue-tracking tools provide solid metrics for predicting customer satisfaction, and ultimately, customer loyalty.

Customer Relationship Management (CRM) tools should be another critical portion of your overall measurement plan. A word of caution: never rely solely on technology to report loyalty metrics. In many ways, technology can become a barrier to growing a business relationship. Instead, get in front of the customer and look them in the eye. There is no replacement for true relationship building and customer face time.

## Phase IV: Adapt and Optimize to Customer Dynamics

To sustain long-term business, you must constantly adjust to change. Products evolve, the competitive landscape gets ugly, and the customer's needs shift. Combating these realities requires that your loyalty plan be flexible enough to stay ahead of the curve.

In the technical world, the term "optimize" describes iterative improvements that make the solution more effective. As you measure and interpret the loyalty plan results, be sure to leverage lessons learned, and optimize the plan accordingly. Make sure that the plan is not one-sided—always incorporate the customer's perspective into all best practices and processes.

Many factors affect customer dynamics. When it comes to customer loyalty, the following are the most common:

- **Customer demise** – Downsizing, outsourcing, mergers, and acquisitions are a fact of business life. Regardless, there are plenty of ways to turn customer dynamics into a net positive. Mergers and acquisitions may open the door for expanding your solution throughout the larger organization. Downsizing and outsourcing may move your contacts into other companies. Do you have a plan to leverage these relationships wherever they move?
- **Technology** – Change is constant in the technology world. Complacency leads to corporate death. How will this affect customer loyalty? Will complex technologies require that you assign more field engineers to proactive support roles?
- **Competitive challenges** – There will always be competition. While some sales teams dread this fact, you should embrace the challenge. Learn from your opponents, study their tactics, understand their failures, and glean from their successes. Then, adapt and optimize your loyalty plan as needed.
- **Mission creep** – Customers always want more for less. Given this reality, you must manage and put into ROI perspective all labor-intensive loyalty efforts. Over-committed teams will be unable to react when new challenges arise.
- **Personalities** – Faces change on both sides of the wall. Today's champion may be replaced by tomorrow's antagonist. If your loyalty plan contains an effective top-down, bottom-up communication strategy, minor personnel shifts at your customer should only have minimal impact. If not, you will need to expand your top-down, bottom-up communication efforts.

## Take Charge of Customer Loyalty

“Without a vision the people perish.” This same proverb rings true when it comes to realizing a corporate-wide customer loyalty vision. Make sure all employees at all levels understand the difference between customer satisfaction and loyalty. Reinforce the vision at all organizational meetings, staff meetings, and during employee growth reviews. The bottom line: Make customer loyalty a core competency of your business.

A targeted loyalty plan is a solid foundation on which to build your long-term sales and marketing strategy. Before creating your plan, research your customer’s needs and wants thoroughly to discover what it takes to build loyalty and trigger more sales. Then, create a plan that defines and enforces standards and best practices, measures results, and provides feedback.

After implementing your customer loyalty plan, be sure and treat all business relationships like personal relationships—give them time and room to grow.

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<sup>1</sup> Forrester Research, "Rebuilding Consumer Loyalty," November 2003.

<sup>2</sup> Harry Beckwith, "What Clients Love," 2003.

<sup>3</sup> McKinsey and Company, "Quarterly Customer Retention Report," April 2005.

<sup>4</sup> Jill Griffin, "Customer Loyalty—How To Earn It, How To Keep It," 1988.

<sup>5</sup> Jeffrey Gitomer, "Customer Satisfaction is Worthless, Customer Loyalty Priceless," 1998.