

# CREATING

# CUSTOMER

# LOYALTY:

## go beyond satisfaction

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EARLY IN MY CAREER, I ATTENDED A CONFERENCE ON CONTINUOUS IMPROVEMENT

featuring Dr. W. Edwards Deming, a world-famous lecturer and consultant on business practices, who said, "It will not suffice to have customers who are merely satisfied."

As a young process engineer working in the composites industry, those words went in one ear and out the other, while some of the other ideas left a deep impression.

For example, what I remember most from that conference was Dr. Deming's ideas about product quality, continuous improvement and his "Seven Deadly Diseases," which he listed as:

1. Lack of constancy of purpose
2. Emphasis on short-term profits
3. Evaluation by performance, merit rating or annual review of performance
4. Mobility of management
5. Running a company on visible figures alone
6. Excessive medical costs
7. Excessive costs of warranty, fueled by lawyers who work for contingency fees

Excellent

Very Good

Good

Average

Poor



All good concepts, which became like a Holy Grail to me and my colleagues while his comments about customer satisfaction fell to the wayside. For me, customers were a “given,” and there were plenty of them around so why worry how satisfied they were? Besides, customer satisfaction was a salesman’s bailiwick, right? To say I was wrong would be an understatement.

Fast forward to 2001 as my career moved from manufacturing to sales and marketing. I was now faced with market growth issues and loss of market share to competitors. My Holy Grail focuses changed and expanded. For example, as I was reading “Double-Digit Growth: How Great Companies Achieve It,” by Michael Treacy, I was intrigued by the concept of “The Five Disciplines of Growth.” They all begin with:

“Great companies are ...

...Compassionate about retaining their customer base.

...Feisty competitors that take market share from their competition.

...Positioned in market segments growing faster than the market as a whole.

...Willing to expand into adjacent markets.

...Cautious when entering into new lines of business.”

Again, good advice. And I realized after reading this book that point number one was crucial: Customers are not a given for anyone within a company. I needed to become compassionate about keeping them. I had to throw out the attitude of an early-career boss, whose favorite expression was, “If it wasn’t for my customers and employees, I’d have a great business.” He was just expressing his frustration: We know we can’t have a company without customers and (except for the self-employed) without employees. But I needed a change of attitude: I needed to see customers as a privilege, not a right.

In fact, I needed to get beyond simple satisfaction. In the book “Customer Satisfaction is Worthless, Customer Loyalty is Priceless,” the author Jeffery Gitomer wrote, “Sixty to eighty-five percent of satisfied customers will switch suppliers without a single thought.” He went on to say that if you do a good job, customers will tell three people; if you do a great job, customers will tell 10 people; if you do a bad job, customers will tell 25 people; and if you get into an argument with your customers, they will tell 50 people.

Unfortunately, it’s true: Bad news travels faster and to a larger audience than good news. Let’s look at what that really means:

A national home builder once advertised a 96% customer satisfaction rate. A little research revealed that the builder closed on 450,000 homes that year. At a 4% “not” satisfied rate, that means the builder had over 18,000 customers in the unsatisfied category. If you times that level of dissatisfaction with the 25 multiplier previously listed under “a bad job,” you see that the negative influence reaches to 450,000 potential home buyers (18,000 unsatisfied buyers telling 25 friends). In other words, they may have sold 450,000 homes, but 450,000 potential buyers may have heard bad things about the builder. To continue along this line of thought—if 96% is “merely” satisfied, there is a good chance many of those people will switch builders for their next home. I now realize why Dr. Deming said, “It will not suffice to have customers who are merely satisfied.”

When we lose customers to the competition, the vast majority of those lost customers won’t share the real reason they left. Experts estimate that about 91% of those that leave will never return. Think about where we spend most of our marketing dollars: We focus on attracting new customers and spend few resources on customer retention. At the same time, it’s a well-known fact that it costs 10 times more to replace a customer than it does to keep one. Another way to look at it is this: Experts estimate one customer is worth 20 times their actual annual purchase volume. That means a small customer spending \$20,000 a year has a potential spending “worth” of \$400,000.

Gitomer gave 15 reasons why customers leave, which include: showing no genuine interest in the customer, poor response time, unavailability, difficulty in placing an order, unfriendly employees, poor or rude collection practices, poor service and delivery, poor customer training, promising too many things that can’t be done, inability to solve customers’ problems, too much eagerness for more business, poor professional image, dumb excuses (like “that’s our policy”), nickel and dime-ing, and last but not least, poor product quality.

If you’re looking for a place to begin the process of customer retention, this list is a great place to start.



## Advice on customer retention

Here are a few pointers Tim Price adapted from Jeffery Gitomer's book to help with customer retention.

- Remember that attitude precedes service. Be friendly.
- Pay attention to the first words your customer hears out of your mouth.
- Remember that customers have lots of problems; you don't need to be one of them.
- No one wants to hear why you can't do something.
- Don't confuse company policy with customer service.
- Don't forget that it will take 12 positive impressions to overcome one negative impression.
- Adopt the attitude you are responsible for your customers.
- Take your job seriously.
- Don't take complaints personally.
- Remember that customers will talk, whether or not the comments are good or bad.
- Recognize customers for what they are: your paycheck.

I remember reading a screen saver on a customer's computer that read, “We're not happy til you're not happy.” In this case, the customer was trying to be funny; but it got me thinking about how at times we seem to spend resources that in the end, make our customers unhappy.

One last point: Don't forget that you are a customer of many products yourself. Try applying the Golden Rule: Do unto your customers as you would like someone to do unto you. Use your own experiences to determine what it takes to make customers happy. ■

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