

# Efma magazine

N° 214  
July / August 2008

FINANCE, MARKETING & DISTRIBUTION

COVER STORY

## Our studies

*An overview on Efma's surveys*

### STRATEGY

**Finansbank offers  
upmarket services to SMEs**

**Nordea is reshaping  
radically its branch network**

### FOCUS

**Customer satisfaction requires  
innovative approaches**

### MORTGAGES

**The subprime crisis  
shock wave**

EFMA

European financial management & marketing [www.efma.com](http://www.efma.com)

## Development of customer loyalty

# When you care, people notice

*Consumers are confronted with an abundance of choices. Products and services have become quite similar and so has quality. Thus, preferences and emotions have become crucial. The tangible attributes of a product have far less influence on consumer preference than subconscious sensory and emotional elements. The way a company makes customers feel and the value as perceived by a customer increasingly decides the success of a company\*.*

**By Nicolette Wuring** *Managing director Customer M@nagement Services*

Since the rise of the World Wide Web, the voice of the customer has become so powerful that it has started to materially and undeniably impact the potential for success of companies, much like the talk in a small town village in the days before mass communication. Consumers are so connected that word-of-mouth, one-to-one influencing nowadays plays a bigger role than marketing communication. People increasingly judge and criticise companies from the quality of their products and services to the consistency of their actual behaviour compared to their marketing communication and corporate social responsibility claims. Virtual social networks spread the news faster and across larger geographic areas than any marketing message can be spread by companies themselves. When you don't care, people notice, and people tell it to the world in all kinds of online social communities that reach consumers all over the world faster than traditional marketing messages, and with much more impact.



**Nicolette Wuring**

**The domains companies traditionally compete in are changing dramatically and rapidly.** These changes erode the traditional competitive power of companies and undermine their customer relationships. Customer loyalty and retention are in every CEO's top ten list of challenges or greatest concerns.

Meanwhile, acquiring new customers is becoming more and more expensive, especially when the customer is lost before having earned back the investment it took to acquire them in the first place. One of the few ways for organic growth companies have left is to grow the "share of wallet" of their existing customers. This requires a relationship with customers of trust and loyalty. As a result, customers will

spend more, buy more, buy the company's other products, and recommend the company to their families and friends by spreading positive word-of-mouth.

**For decades, company strategies centered around operational excellence and product leadership.** Companies have been forced to focus on the bottom line in order to please their shareholders. They have taken operational excellence to the limit. Product leadership has become a utopia in a world where the speed with which competitors (existing, completely new and unexpected ones) eat away any advantage companies thought they had faster than they can bring the next innovation to the market. Quality has become a prerequisite to be a player at all. Consumers can no longer be fooled by clever campaigns if the actual customer experience doesn't match the created expectations. The perception of a brand and the emotional connection with it is growing in importance in the consumer choice process. Perception and connection are increasingly established by what other consumers say about a brand and their experiences with a company through word-of-mouth and online consumer-generated media. Sustainable competitive advantages and the differentiating power of a brand in this day and age are moving towards being outside of a company's control. The quality of products and services along with operational excellence have become prerequisites to be a player at all. The competitive playing field is moving towards preference, commitment, and loyalty of customers. In order to improve sustainable competitive advantages, de-commoditise products and services, and increase the differentiating power of a brand, in today's competitive playing field there needs to be significant customer advocacy. Customer loyalty is often confused with customer satisfaction. But a customer can be 100% satisfied, and still leave you tomorrow, when a better alternative comes around. Any business in any industry increasingly is becoming a people business, no matter how "technological"

a business or an industry may appear to be. It's not the technology that sets companies apart, but the way people (are able to) interact with the people who are the customers.

**Customer advocacy is not something that can be achieved systematically.** With customer advocacy, the customer is the originator and the driver. The motive is driven by emotions and is essentially selfless. You can't pay a customer a premium to become an advocate for your business. It's something that is driven by how a company makes a customer feel about himself, which reflects on how he feels, and talks, about a company. A customer who recommends a company to his family and friends is authentic and requires authentic behaviour in return from the company and its employees. If customers don't like the way a company treats them or makes them feel, they vote with their mouth (negative word-of-mouth), feet (churn) and fingers (consumer-generated media). Ultimately, through their behavior and their voice, customers decide what, to them, the real value of a company is. It's only by cooperating with customers, working towards common objectives in partnership towards what is perceived as value by both players, that value can be created.

Customer advocacy is the ultimate differentiator and the most sustainable one, which is what makes it so hard to copy. Employee advocacy precedes customer advocacy.

**Customer advocacy is the next competitive battleground.** The upside is huge direct business development potential. The downside are blogstorms, googlebombing, etc.; PR risks when customers feel they have not been taken seriously. How much control companies will have over the advocacy of their customers largely depends on not just a successful transformation of their organisation, but ultimately on how successful they will be at consistently creating expectations with their customers and the consistency of their delivery. That's what builds trust. Trust builds loyalty and ultimately advocacy. The authenticity of the people representing an organisation, from top to bottom, is the most critical success factor for the sustainability of customer advocacy.

Service concepts describing the "emotional end-frame" of customers can help a brand become a game changing customer/brand experience. Sincere commitment, energy and good intentions are what count.

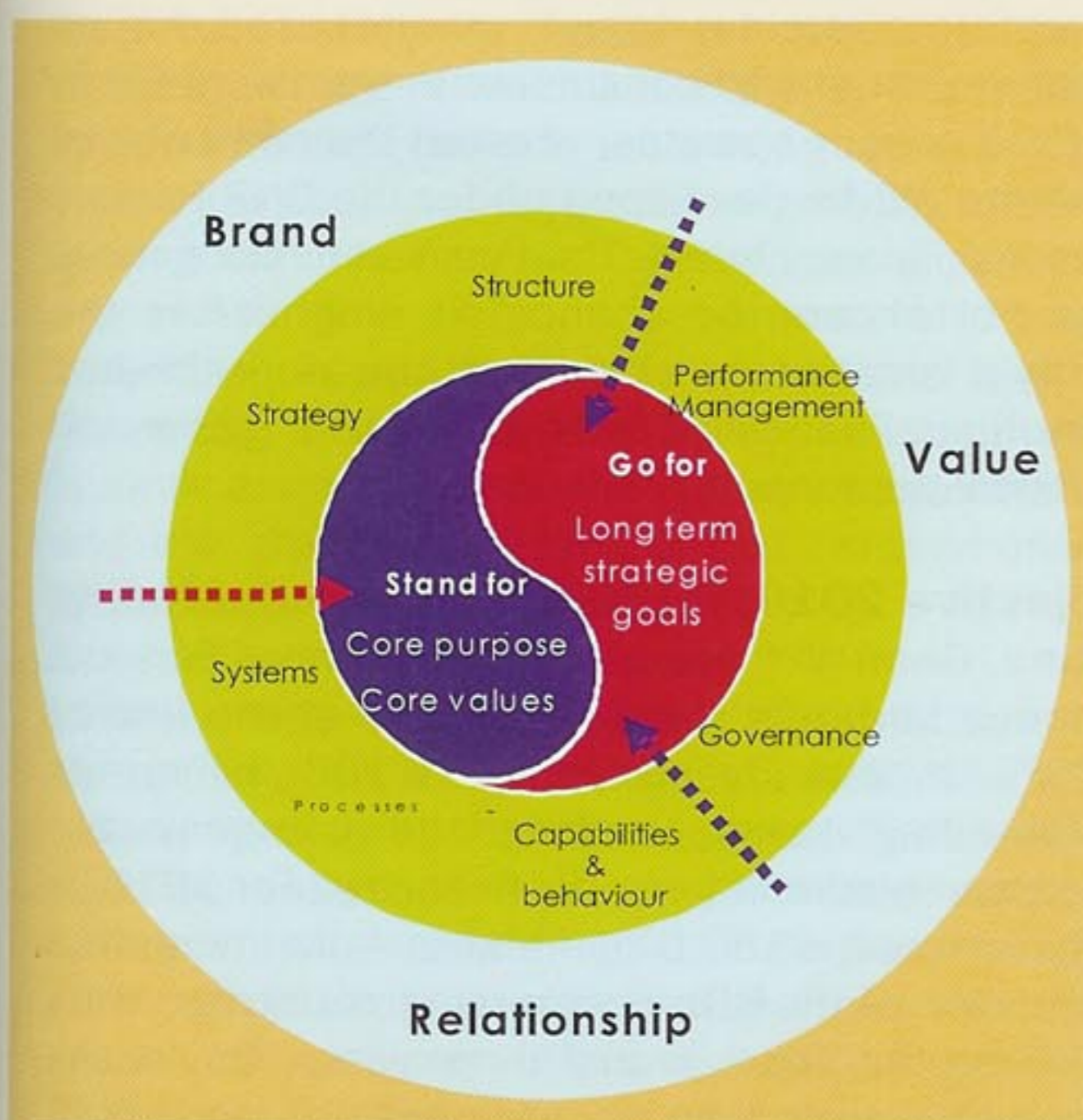
The value, the brand and the relationship as perceived by a customer, have become decisive for the success of a company. On the three dimensions value, brand and relationship (see table), customer perceptions have only one rationally perceived element, the balance between the quality and the price of products and/or services. All other elements are based upon subconscious sensory and emotional elements.

The focus has shifted from reactive corporate ecosystems, a company-centric, efficiency-driven view of value creation that has shaped our industrial infrastructure and the entire business system, to real-time customer ecosystems, where the ultimate control and determination of value lies with the customer, and is based on both functional (rational) value and emotional value. In other words, the time has come to add an 'outside in' view from your customers (or customer target groups).

When you care, people notice! Companies that don't, leave the playing field open to companies who do. The ultimate question is, can the bottom line of your company handle the impact? ■

*\*This text is an extract of the book Customer advocacy, when you care people notice to be published in next September.*

## The emotional connection



Source : Customer M@nagement Services

nicolette@wuring.nl