

Customer Responsiveness

Positioning

Frequency . . . Focusing on Behavior

When customers give you a greater share of their transactions than they might have without the program, usually in exchange for accumulating miles, points, or other surrogate discounts.

You ask: *Aren't we quibbling here, isn't that loyalty?*

Loyalty . . . Focusing on Emotion

When the customer feels so strongly that you can best meet his or her relevant needs, your competition is virtually excluded from the considered set, and the customer buys almost exclusively from you — referring to you as “their restaurant” or “their hotel.”

Winning maximum share of heart, mind and wallet.

Like a Marriage

- “The sale merely consummates the courtship.
- Then the marriage begins. How good the marriage is depends on how well the relationship is managed by the seller.
- It is more a matter of what the buyer wants.
- He wants a vendor
 - who will keep his promises,
 - who'll keep supplying and stand behind what he promised.

Drawbacks of Frequency

- Exclusive focus on behavior ignores the emotional and psychological factors that build real commitment.
- Without that commitment the customer focuses on “the deal,” not the brand or product relevance.
- A behavior focus makes bribing the customer irresistible.
- Erodes the brand and diminishing product differentiation.

The Benefits of Real Loyalty

- “Loyal customers tend to maintain their positive expectations relatively longer than low-loyalty consumers, so they are not likely to adjust expectations based on episodic factors”
- “Loyal customers tend to show:
 - a special preference, attachment, commitment,
 - positive WOM,
 - low switching to competitive brands,
 - willingness to pay premium price”

(Youjae and Suna, 2004).

The Benefits of Real Loyalty

- The customer focuses on your brand, offers and messages to the exclusion of the competition.
- Price is no longer the dominant consideration, but one component in the larger value proposition.
- Loyalty provides critical inoculation.
 - Competitive offers face a higher hurdle.
 - The customer becomes more forgiving — goodwill equity.
- Loyalty begets loyalty.

Why Hotels Should Be Concerned about Customer Loyalty

- Customer loyalty leads to increased profit
- Customer loyalty leads to increased partnership
- Lower marketing and sales costs
- Lower transaction costs

Lessons Learned From Research in Hotels

- Loyal customers are less likely to ask about price when making a reservation
- Loyal customers are willing to serve on advisory panels
- Loyal customers claim they will use purchase other offered services
- Loyal customers more likely to report service failures

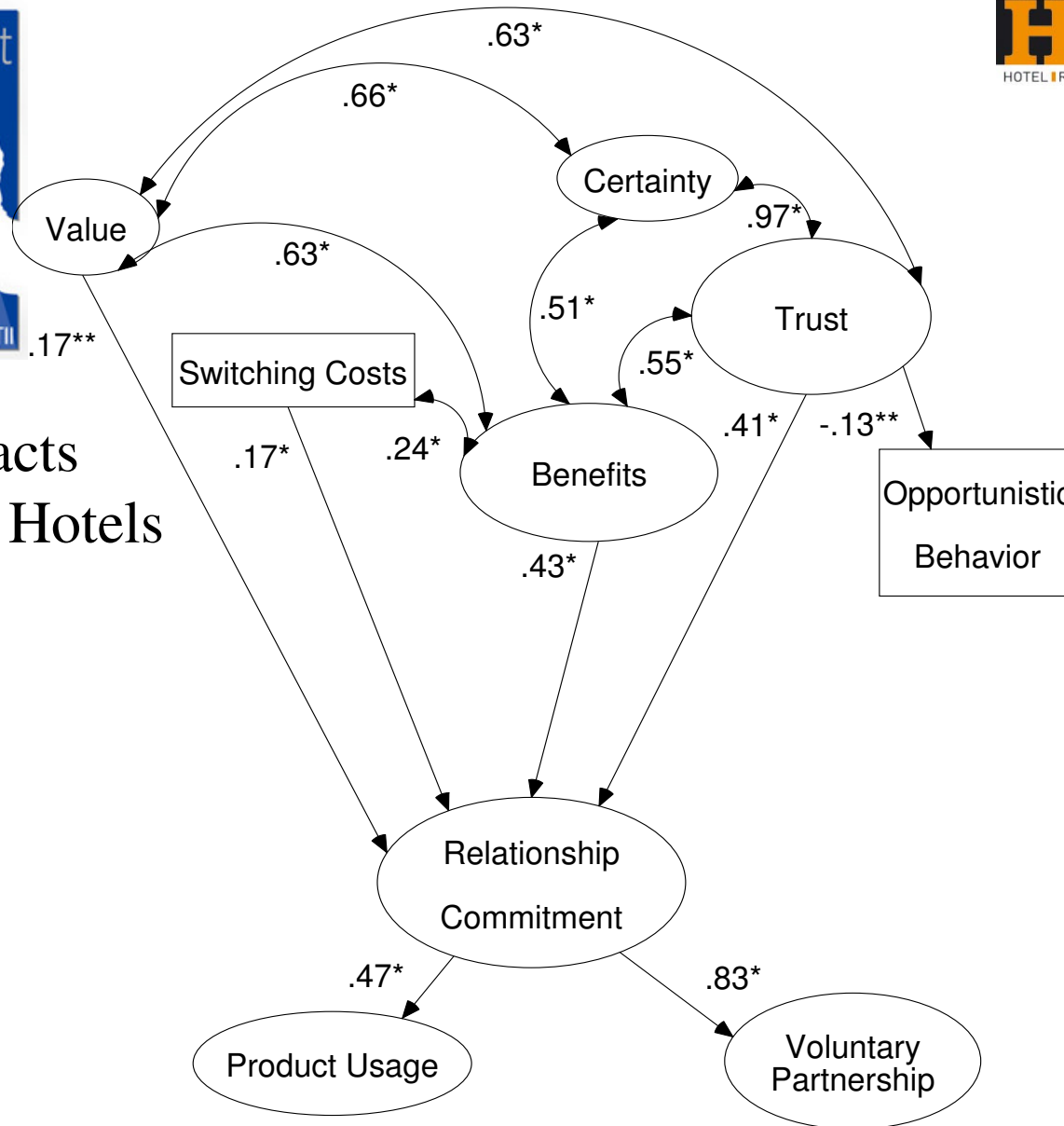
Lessons Learned From Research in Hotels Restaurants and WOM

- A loyal customer in a restaurant tells a median of 10 people
- A loyal customer in a luxury hotel tells a median of 12 people
- 52.3% claimed that they would go out of their way to mention restaurant when the topic of restaurants comes up
- 19.3% claimed that they would go out of their way to mention hotel when the topic of hotels comes up

Lessons Learned From Research in Restaurants

- 69% read the communication (letters, e-mails, promotional material) they receive from the restaurant to which they are loyal (8,9,10 rating)

What Impacts Loyalty in Hotels



* Significant at .01

** Significant at .05

Evolution of How Marketing Defined



Four P's of Product Marketing?

- P
- P
- P
- P

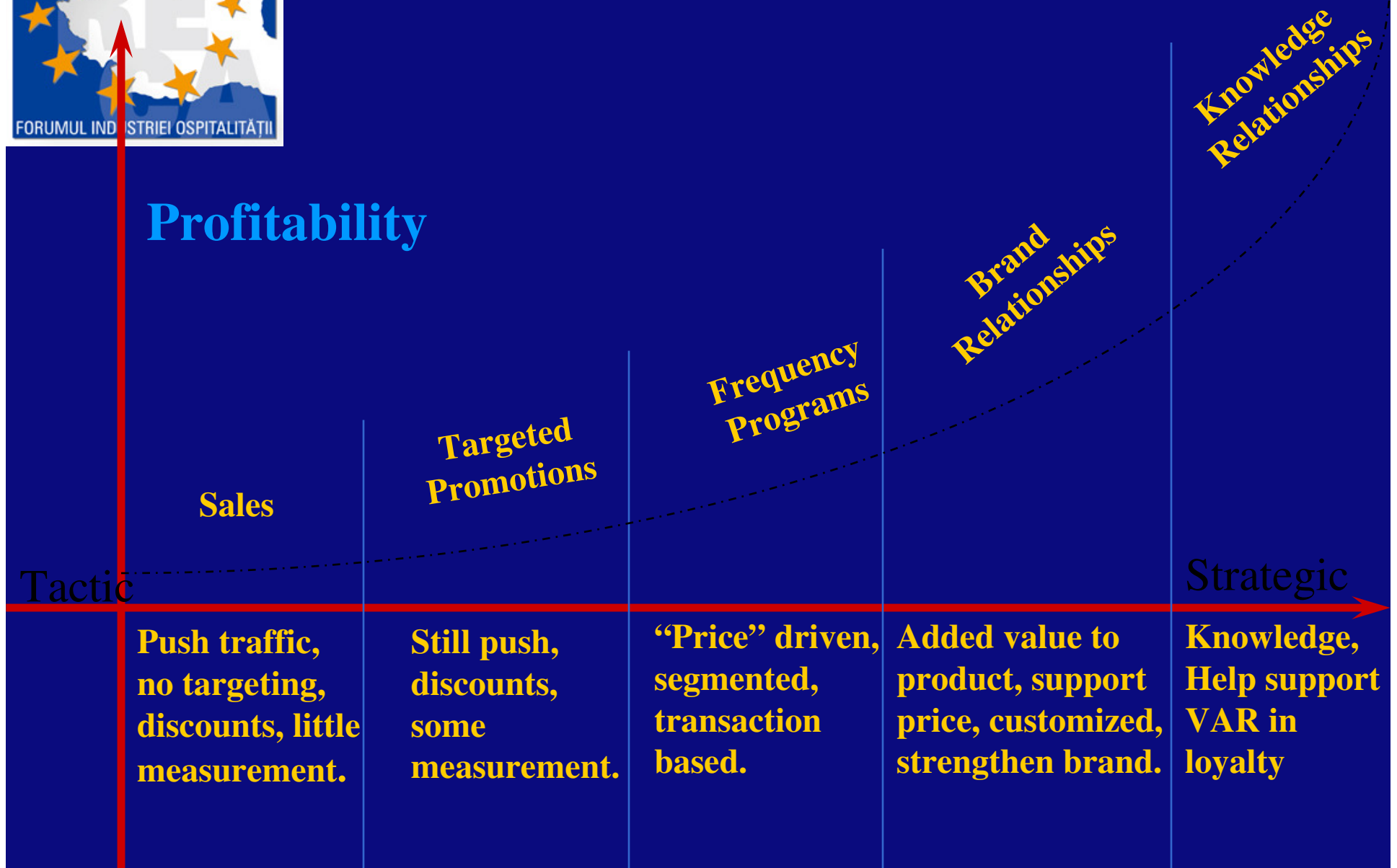
Seven P's of Services Marketing?

- P
- P
- P
- P
- P
- P
- P

Thirteen C's of Marketing – help create value

- Customer
- Categories of offerings
- Capabilities of firm
- Cost, profitability and value
- Control of process
- Collaboration within firm
- Customization
- Communications
- Customer measurement
- Customer care
- Chain of relationships
- Competition
- Capacity

The Evolution of Building Loyalty



Word of Mouth

Word of Mouth

- The One Number Firms Should Be Concerned About
- Critical in services because of variability and heterogeneity – customers discount advertising, PR, and the like
- WOM comes from friend, associate, family member

Word of Mouth - continues

- Questions to ask:
 - How likely is it that you would recommend _____ to a friend or colleague?

use a 0 to 10 scale

Word of Mouth - continues

- Net Promoter: calculate
 - % of people who respond with a 9 or 10 (promoters)
 - % of people who respond with a 0 – 6 (detractors)

Net Promoter Score = Promoters – Detractors

(E-Bay, Amazon, USAA 75% - 80%

Median 400 firms in 28 industries was 16%)

Types of WOM

- **Buzz Marketing:** Using high-profile entertainment or news to get people to talk about your brand.
- **Viral Marketing:** Creating entertaining or informative messages that are designed to be passed along in an exponential fashion, often electronically or by email.
- **Community Marketing:** Forming or supporting niche communities that are likely to share interests about the brand (such as user groups, fan clubs, and discussion forums); providing tools, content, and information to support those communities.

Types of WOM

- **Grassroots Marketing:** Organizing and motivating volunteers to en-gage in personal or local outreach.
- **Evangelist Marketing:** Cultivating evangelists, advocates, or volunteers who are encouraged to take a lead-ership role in actively spreading the word on your behalf.
- **Product Seeding:** Placing the right product into the right hands at the right time, providing information or samples to influential individuals.

Types of WOM

- **Influencer Marketing:** Identifying key communities and opinion leaders who are likely to talk about products and have the ability to influence the opinions of others.
- **Cause Marketing:** Supporting social causes to earn respect and support from people who feel strongly about the cause.
- **Conversation Creation:** Interesting or fun advertising, emails, catch phrases, entertainment, or promotions designed to start word of mouth activity.



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GRANDES ARTISTAS.
PORQUE SIN SABER,
USTED APOSTÓ A ESO.**

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Types of WOM

- **Conversation Creation:** Interesting or fun advertising, emails, catch phrases, entertainment, or pro-motions designed to start word of mouth activity.
- **Brand Blogging:** Creating blogs and participating in the blogo-sphere, in the spirit of open, trans-parent communications; sharing information of value that the blog community may talk about.
- **Referral Programs:** Creating tools that enable satisfied customers to refer their friends.

How to Create WOM

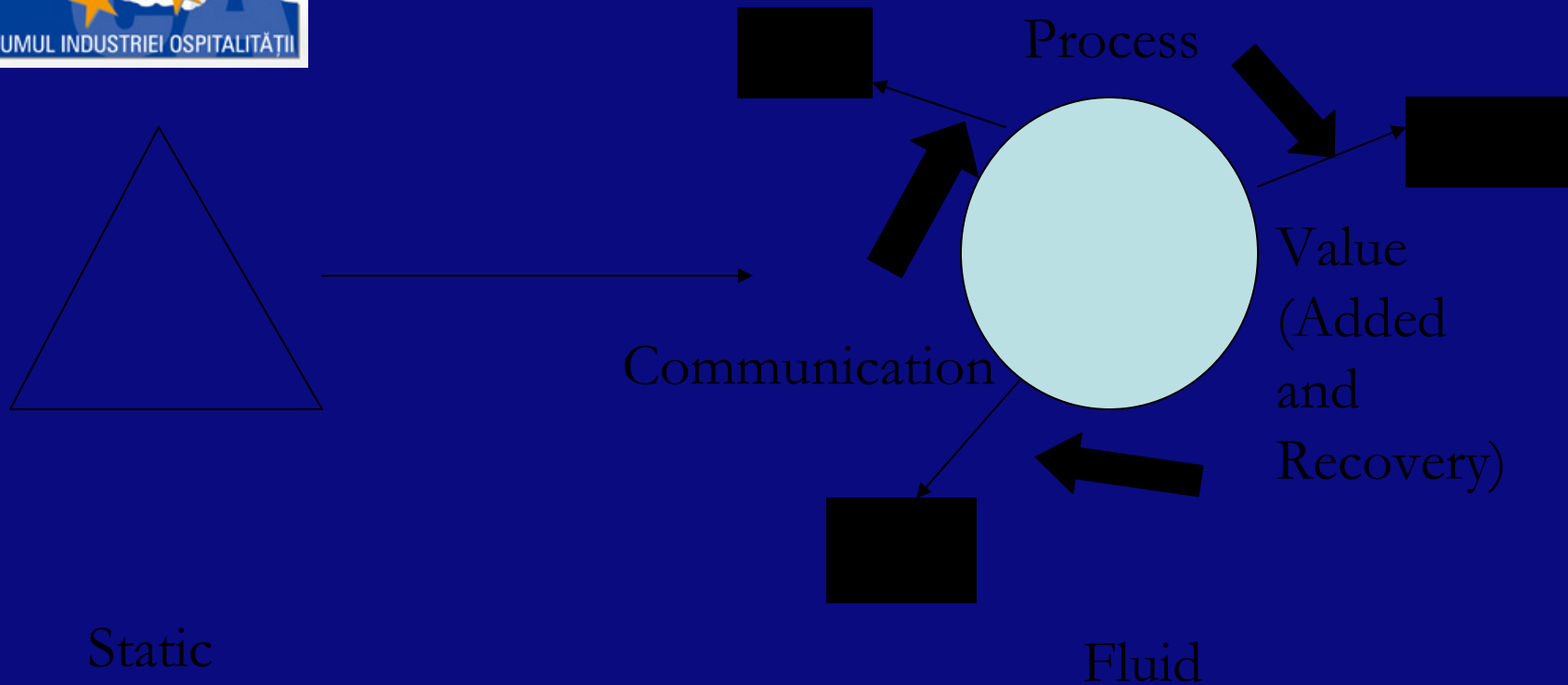
- Encouraging communications
- Giving people something to talk about
- Creating communities and connecting people
- Working with influential communities
- Creating evangelist or advocate programs
- Researching and listening to customer feedback

How to Create WOM

- Engaging in transparent conversation
- Co-creation and information sharing
- Blogs

How To Create Loyalty

Creating Loyalty





THE NEW YORKER

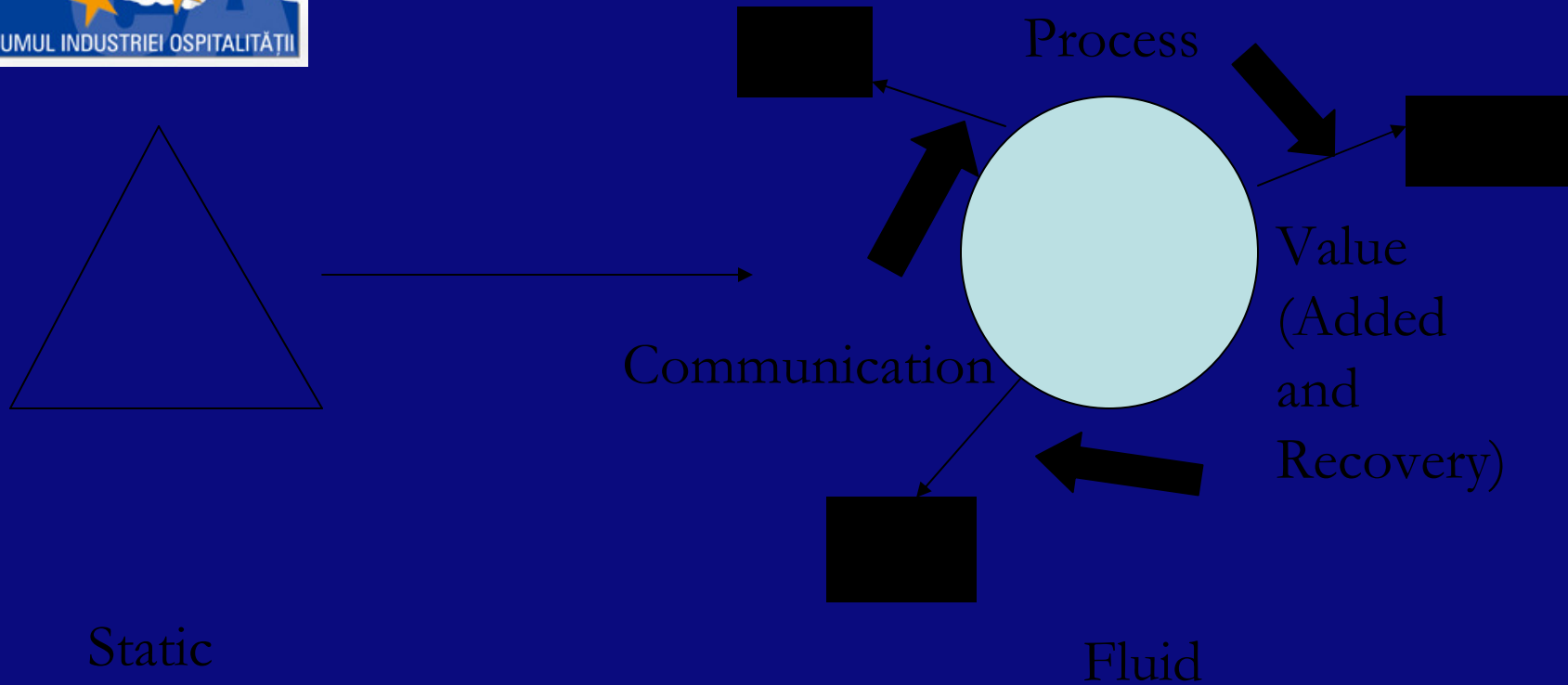


"Also included in the package is a vague sense of your not being good enough to stay here."

Value

- Seeks to create *new value* for customers and then *share* the value so created between producer and consumer.
- *Value* is created *with* customers, not *for* customers.
- Requires that a company design and align its business processes, communications, technology and people in support of the *value* individual customers want.
- Types of Value
 - Value Added
 - Value Recovery

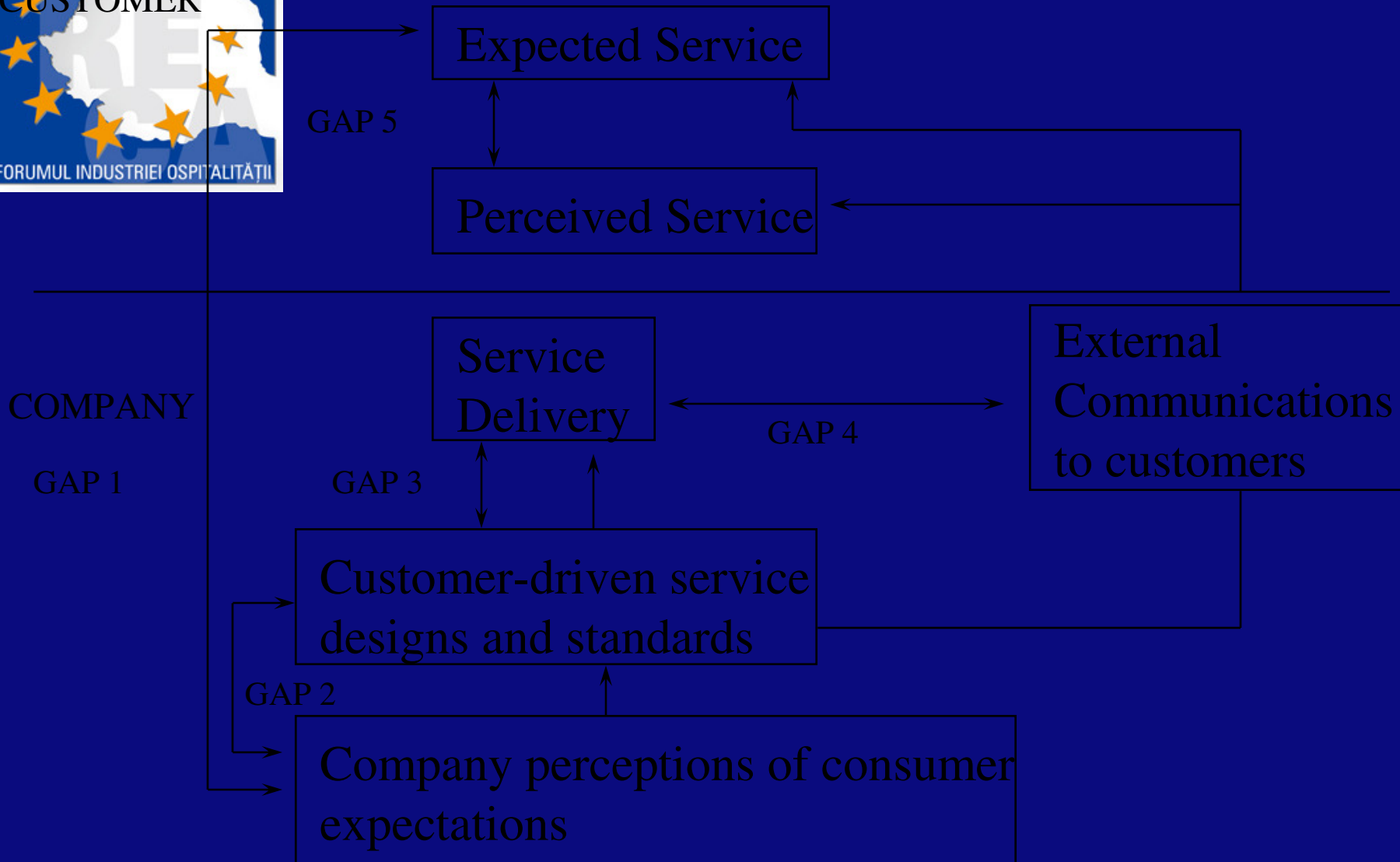
Creating Loyalty



Process

- Focuses on the processes and whatever else is needed to advance the customer relationship.

GAPS Model of Service Quality



(from Zeithaml, A. Valerie and Mary Jo Bitner (1996). *Services Marketing*. New York: McGraw Hill p. 48.)

GAP Model of Service Quality

Performance $>$ Expectation ☺

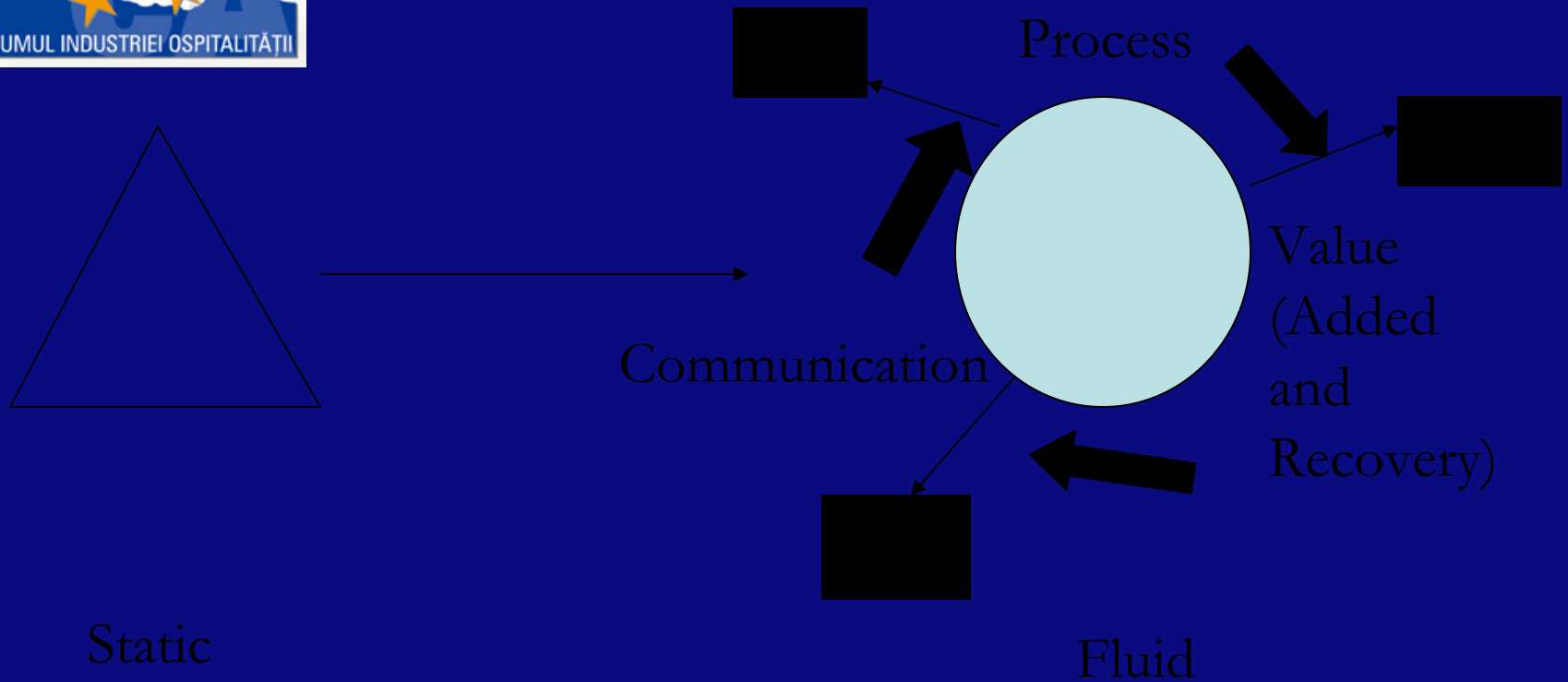
Performance = Expectation ☺

Performance $<$ Expectation ☹

Dimensions of Service Quality

- Reliability
- Assurance
- Tangible
- Empathy
- Responsiveness

Creating Loyalty





**"What do you mean we don't communicate?
I sent you e-mail on Monday."**



Communication

- Sales force
- Outlets
- Reservations
- Direct Marketing
- Electronic Commerce
- Mobile Commerce
- Employees

Communication Using Database

- Customer Identification
 - segmentation based on RFM
 - not all customers are equal
- Customer Communication
 - e.g., newsletters
- Customer Management
 - giving customers what they want without their having to ask
 - Giving customers choices

Ways to Use Database

- *Identify your best customers*
- *Develop new customers*
- *Deliver a Message Consistent with Product Usage*
- *Reinforce Consumer Purchase Decisions*
- *Cross-Sell and Complementary-Sell Products*

Ways to Use Database - continued

- *Improve Delivery of Sales Promotion*
- *Refine the Marketing Process*
- *Increase the Effectiveness of Distribution Channels*
- *Maintain Brand Equity*
- *Take Advantage of Stealth Communications*

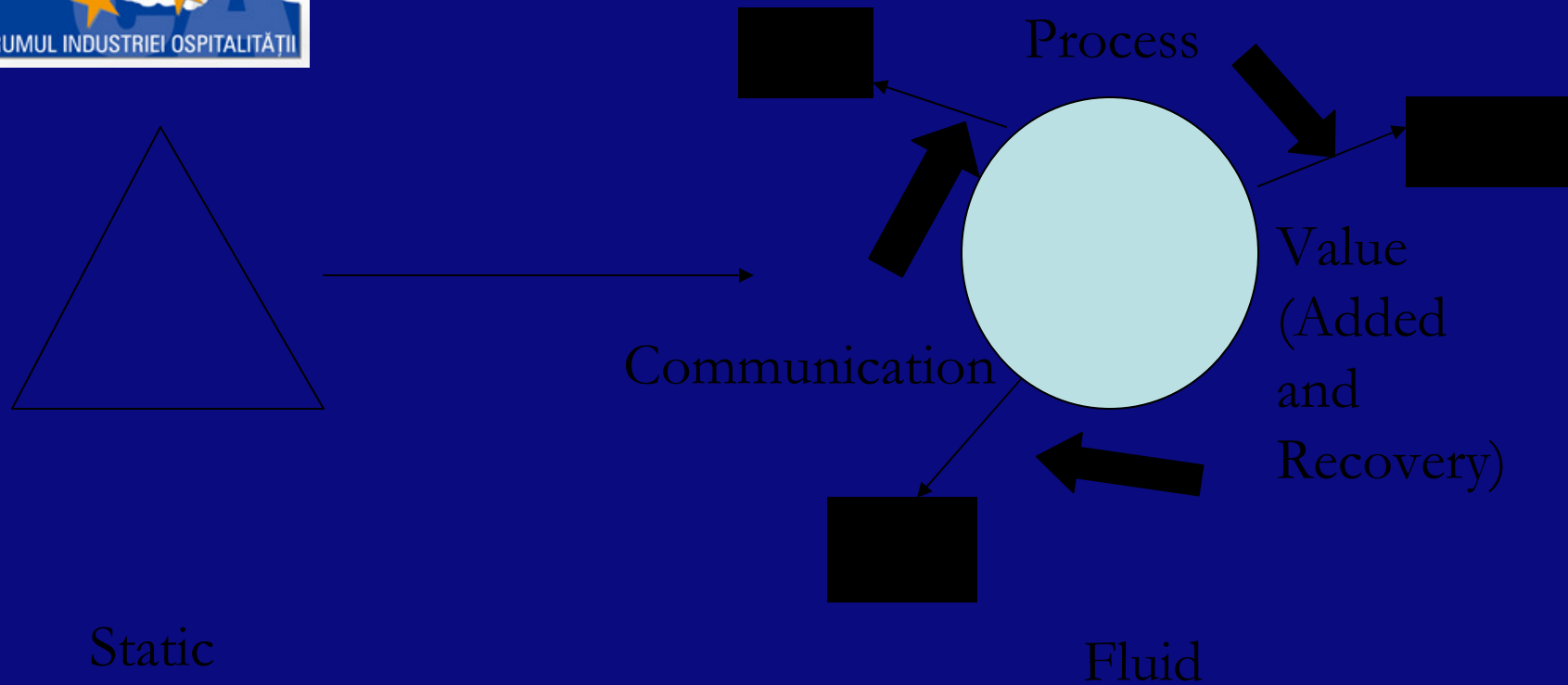
Ways to Use Database - continued

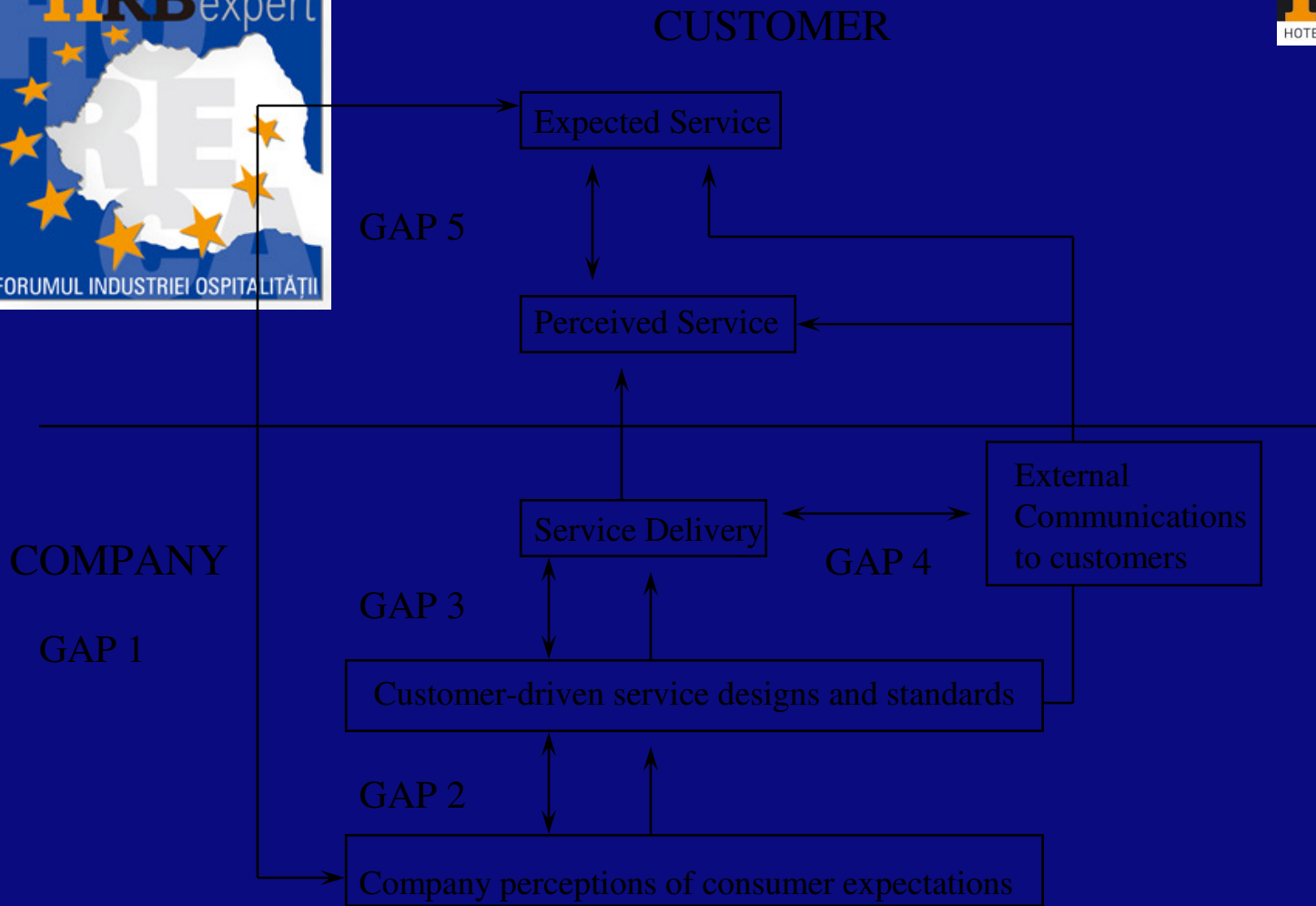
- *Conduct Customer, Product, and Marketing Research*
- *Develop Personal Profiles of Guests*
- *Create RFM Codes*

Ways to Use Database - continued

- RFM Codes
 - Same procedure for each code
 - 1. Put in _____ for each customer record
 - 2. Sort database from highest to lowest
 - 3. Divide into five exactly equal parts
 - 4. Number the quintiles with 5 being the most recent
 - 5. Put the quintile number into each record

Creating Loyalty



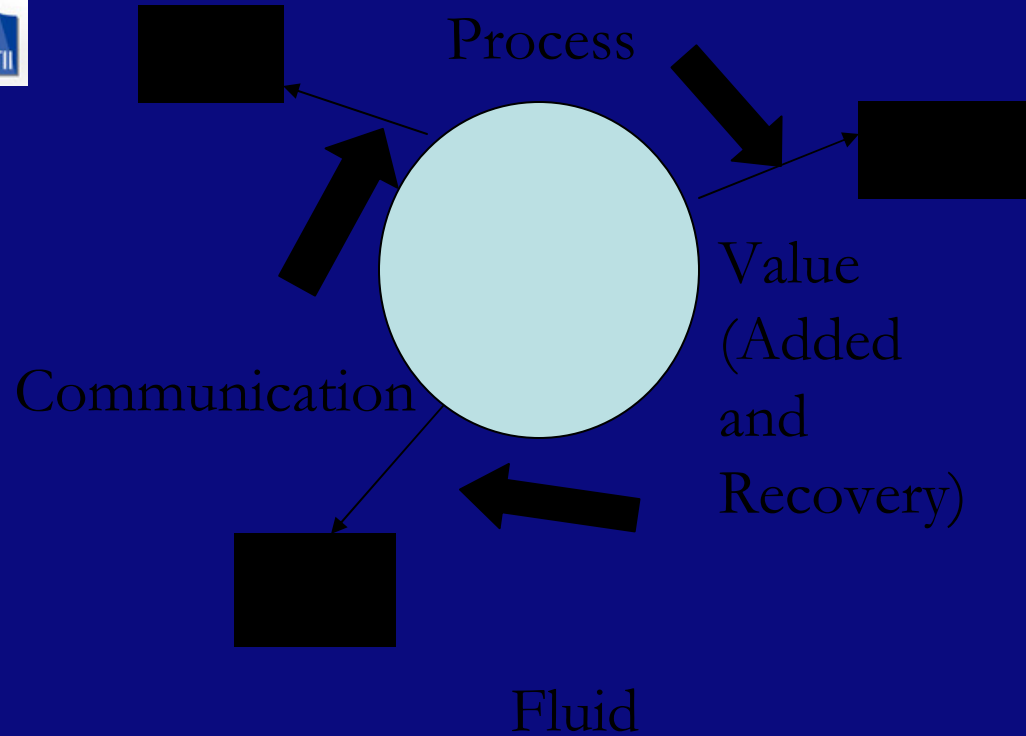


Understanding Value

Value Added: Goal

- Increase Rewards
 - current transaction
 - future transaction
- Reduced Costs
 - current transaction
 - future transaction

Loyalty Circle



Value Recovery

- Complaint Management

Complaints Define What Customers Want

No Product or Service Failure
 Customer does not say anything

Celebration

No Product or Service Failure
 Customer dissatisfied and speaks up

Proactive Customer Education/Research

Product or Service Failure
 Customer does not say anything

Encourage Complaints

Product or Service Failure
 Customer dissatisfied and speaks up

Service Recovery

Response to Value Recovery Depends Upon:

- Ability to give customer's opportunity to present their point of view and express their feelings (procedural fairness)
- Ability of firm to present a convincing apology (inter-action fairness)

Questions:

- Do your staff understand that when a service failure occurs, your organization has a chance to retain customer loyalty by satisfying the customer's needs?
- What does your organization do to get the Passives to speak up?
- Does your organization have any cases of Activist behavior?



Questions:

- What are the worst names you call your complaining customers?
- Under what circumstances do you consider your customers' complaints to be unreasonable? How do you suppose your customers feel about these complaints?
- Does your company have examples where service or product breakdowns have lead to stronger ties with the customer?



Questions:

- What information do you need from your customers to help them with their problems?
- How frequently do you check back with your customers who have complained?
- How do you ensure that complaints are made known through-out your organization? Do you keep track of what happens to the information you learn from customers' complaints?

Questions about Written Complaints

- What is your rate of response to complaint letters? How quickly does your organization respond? Do you use form letters?
- Under what circumstances do your customers write complaint letters?
- Who responds to your customer complaint letters?

From: A Complaint is a Gift

Questions about Written Complaints

- Do your response letters specifically speak to the customers' needs?
- What do you do to exceed customer expectations when they write complaint letters?

From: A Complaint is a Gift

How Well Are You Doing?

- 1 = Not using strategy at all
- 2 = Using the strategy but have had problems implementing it
- 3 = Using the strategy but with no noticeable results
- 4 = Using the strategy and have noticed positive results
- 5 = Using the strategy and judge it as a highly effective tactic for maintaining ongoing communication with customers

From: A Complaint is a Gift

Strategies

- 1. Train staff to view complaints as a gift ____
- 2. Market the fact that you are looking for complaints ____
- 3. Evaluate your internal complaint structure ____
- 4. Set up listening posts ____
- 5. Make customer comment forms available ____
- 6. Create staff comment forms to capture customer complaints ____

Strategies

- 7. Let customers complain in private ____
- 8. Set up customer confidants ____
- 9. Do not be satisfied with the first response your customers give you ____
- 10. Go after the ones that do not respond to your customer surveys ____
- 11. Randomly ask for feedback ____
- 12. Ask for value and quality ratings ____
- 13. Hang out with your customers ____



Scores

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____

- 8. _____
- 9. _____
- 10. _____
- 11. _____
- 12. _____
- 13. _____
- TOTAL _____

Your Total/65 = _____

Why Customers Do Not Complain

- It wasn't worthwhile. No one would listen to me anyway.
- It would have cost more money to complain. I would have had to call long distance.
- I didn't know to whom I could complain.
- I needed all my original documents, and I'm not sure where they are. I threw away the receipt

From: A Complaint is a Gift

Why Customers Do Not Complain

- I had a problem last week; they would think I am picky or a whiner?
- The last time I complained, nothing happened.
- I'd rather just leave, never come back, and not say anything. It's easier that way.
- It wasn't that bad.

From: A Complaint is a Gift

How Complaint Handlers Tell Customers Not to Complain

- Apologize and nothing more
- Rejection
- Promises that are not delivered
- No response at all
- Rude treatment
- Being passed on to someone else

From: A Complaint is a Gift

Strategies to Handle Complaints

Formula for Written Complaints

- 1. Thank the customer; explain why you appreciate the complaint and apologize
- 2. Let the customer know what you have done
- 3. Admit the customer is right
- 4. Personalize your reply

From: A Complaint is a Gift

Formula for Written Complaints

- 5. Be simple, but specific
- 6. Exceed the customer's expectations
- 7. Check customer satisfaction

From: A Complaint is a Gift



Problem Impact Tree

Please indicate if you reported any problems during your visit and how they were resolved.

- No problems experienced 1 SKIP X
- Problems reported and were resolved in a friendly effective manner 2
- Experienced problems, but didn't report to staff . . . 3
- Problems reported and were not resolved in a friendly, effective manner. 4

FIGURE II: TOTAL SAMPLE (n=4259, 100%)

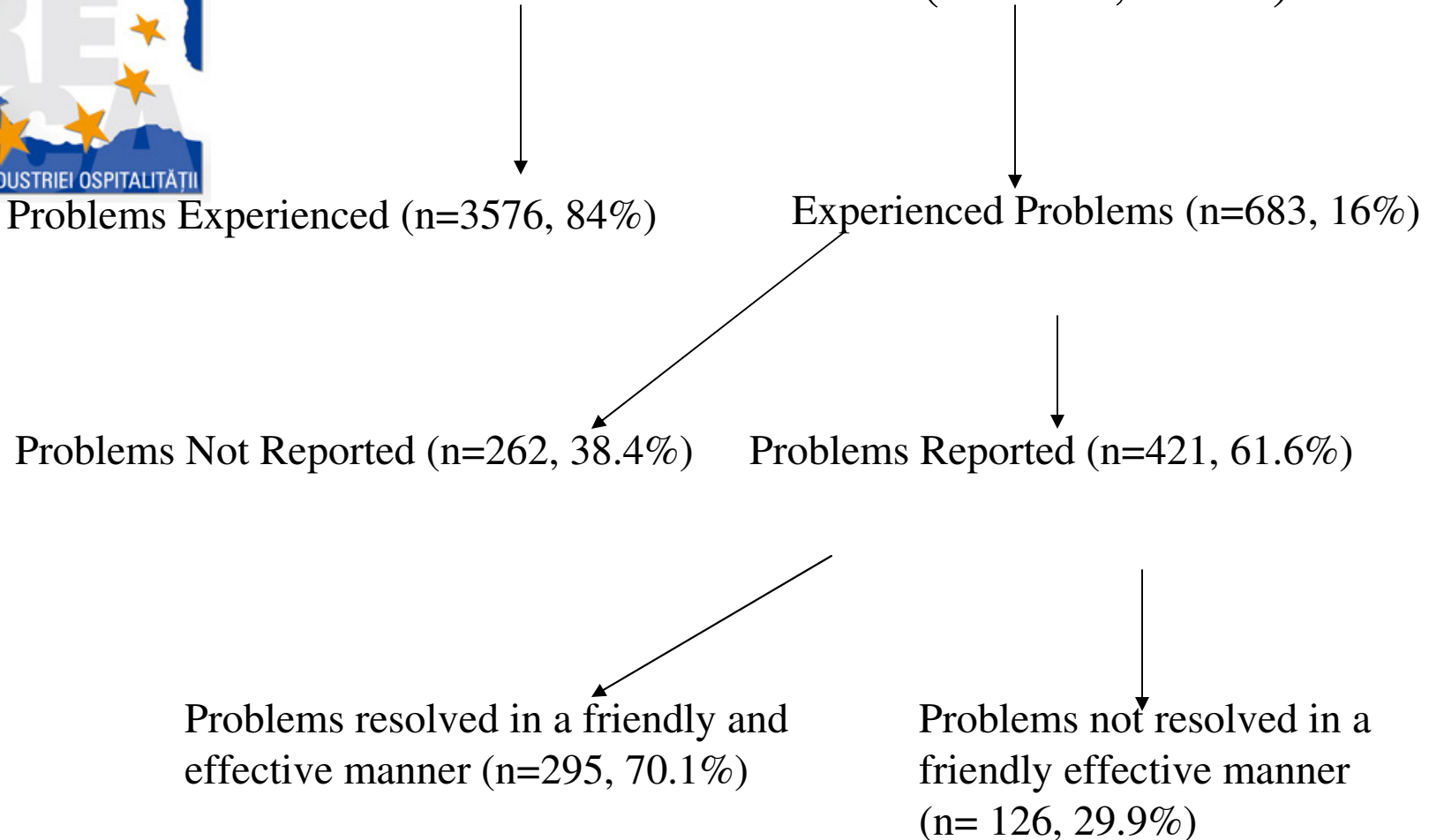


FIGURE III:

IMPACT ON LIKELIHOOD TO FLY AIRLINE AGAIN

No Problems Experienced (n=3547)
Percent Rating Likelihood to Fly Again
a "5"=53.3%

Experienced Problems (n= 677)
Percent Rating Likelihood to Fly Again
a "5"= 26.6%

Problems Not Reported (N=260)
Percent Rating Likelihood to Fly Again
a "5"= 18.1%

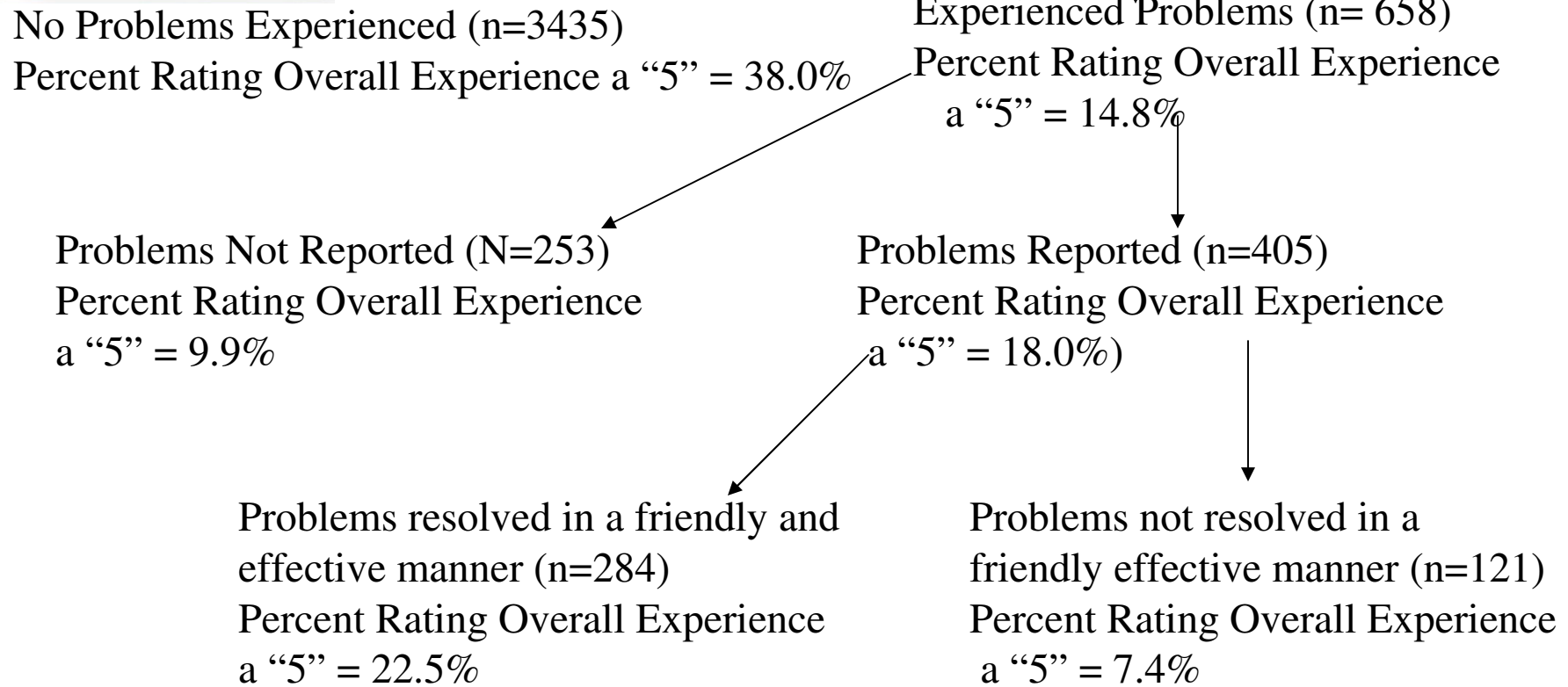
Problems Reported (n=417)
Percent Rating Likelihood to Fly Again
a "5"= 31.9%

Problems resolved in a friendly and
effective manner (n=293)
Percent Rating Likelihood to Fly Again
a "5"= 40.3%

Problems not resolved in a
friendly effective manner (n=124)
Percent Rating Likelihood to Fly
Again a "5"= 12.1%

FIGURE IV:

IMPACT ON OVERALL EXPERIENCE





- sshoemaker@uh.edu