



Customer Savvy

*How to keep them coming
back for more*

Philip Dennett

Customer Savvy: how to keep them coming back for more

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Chapter 1

If You Want Loyalty Buy a Dog?

‘Now many marketers are as confused as Dorothy in Oz. Everything has changed. Few have been able to find the Yellow Brick Road. To go forward we must do more than overcome our bad discounting habits. The facts are that we are facing a new consumer and that pre–2000s consumer trends are changing everything we ever thought we knew about consumer marketing. These trends involve virtually every link in the marketing chain, from the manufacturer, through the retailer, to the customer. They are tearing apart the efficient, delicate marketing process that has worked for the past 60 years. It calls for new rules of marketing.’¹

Frederick Newell, quoted above from his book *The New Rules of Marketing*, signals a major paradigm shift in marketing – the customer is now in control! With the proliferation of products and channels the customer no longer has to rely on you to help them make their choices. There is little risk for a customer in trying something new when there are 10, 20 or even 100 products in a category that are priced well and perform up to expectation. The customer doesn’t have to wait for you to ‘sell’ them your product – they can just jump on the internet, download your product information, compare it to others in the category and seek recommendations from other users.

To make matters worse, those users have never met and they could be anywhere in the world. So, if I had a bad experience with your product I could get that message out to a global audience in seconds where previously I might have told only a few people. Scary, isn’t it?

In trying to understand the new rules of marketing, I embarked on a journey to find a tool that will help us understand the complexities of building a customer relationship. And while examining existing theory formed a key part of the resulting thesis, the most important element for me was the insights gained from interviewing a range of marketing practitioners and the subsequent validation of the Brand Alignment Model that resulted.

‘Shall I go for the familiar or take a risk and try something new?’

But first let’s explore some of the issues facing us as marketers in a bit more detail. As you read try to get a picture in your mind of your ideal customer and then consider carefully the process they go through when it comes to them making a another purchase: ‘Shall I go for the familiar or take a risk and try something new?’

Time poor

We no longer have the luxury of time to consider options – chances are that while we are thinking, a competitor will have developed a new product in the virtual world, based on customer input solicited via the web. And then launched it globally to staff via a live web simulcast! Not only that but they would have simultaneously solicited customer input and made instant changes so the product as it goes into production has already passed the beta–test hurdle. And, they could have planned the product launch and introduced it to their field staff all around the world.

How long would all that take? According to Regis McKenna, writing in his book *Real Time*,² it took Intel seven days! Faced by a major competitive assault from Motorola, Intel had no choice but to react that quickly. McKenna, having left Intel, years later met a Motorola executive at a trade show where they discussed what happened – the Motorola exec said that they couldn’t even have organised a meeting to talk about it in seven days!

The customer rules

In the not so distant past it was relatively easy for the main players in an industry to control the market. However, in the internet age it only takes one person to change your market world. A person such as Shawn Fanning, an 18-year-old freshman at Boston's Northeastern University, who founded Napster in 1999.

People have always talked about products/experiences they love and those they hate. When one person talks to five, marketers are still in control – but when one person talks to 50 million, be afraid, be very afraid!

The Channel has become the market

In the new millennium, the product is no longer guaranteed to be a source of differentiation. Apart from the truly 'new' product which creates its own market where none existed before, in most industries we all have the same 'box'.

So, ask yourself why a customer should buy from you instead of a competitor.

The only viable answer today is – because the customer derives more 'value' from the relationship they have with you. And that value in turn comes partly from your suppliers; partly from the people who work for you; partly from other channel intermediaries; and partly from the way you respond to customer needs. The product is a given in most cases.

Hence the Marketing Channel has become the market. I call it upside-down marketing – rather than finding customers for our products, perhaps we should be thinking of finding products for our customers; perhaps that will increase customer satisfaction? After all, a satisfied customer will come back for more – right?

A satisfied customer isn't necessarily loyal

The concept of Brand Loyalty has been the subject of much discussion among managers and researchers alike. While there is agreement that the forces of loyalty have a direct linkage with profit and value creation,³ there is little general consensus as to what constitutes loyalty, and how it is best managed.⁴ Because of this, managers tend to have a more short-term focus because their companies' worth is mostly measured on profits and not on customer loyalty, which leads

them to a short-term focus on ‘maximising the profit from current sales’.⁵ Gummesson goes on to say, ‘Of course they are interested in repeat business – who isn’t, but often they see it as a bonus rather than the main pay-off.’

***If the retention = profit theory
is correct, why are defection
rates among satisfied customers
commonly as high as 90%?***

As early as the 1960s, Kotler⁶ promulgated a new concept of marketing, the object of which was to ‘gain profits through customer satisfaction’. This led to the birth of the ‘satisfaction survey’ which purported to measure a customer’s loyalty to the brand. Unfortunately, this enthusiasm for satisfaction measurement didn’t produce results and led Reichheld⁷ to lament:

‘Most customer satisfaction surveys aren’t very useful. They tend to be long and complicated, yielding low response rates and ambiguous implications that are difficult for operating managers to act on. Furthermore, they are rarely challenged or audited because most senior executives, board members, and investors don’t take them very seriously. That’s because their results don’t correlate tightly with profits or growth.’

If the retention = profit theory is correct, why are defection rates among satisfied customers commonly as high as 90%? The answer to that question relies heavily ‘on a greater understanding of the role of customer satisfaction in loyalty, other non-satisfaction determinants of customer loyalty, and their interrelationships’.⁸ Satisfaction alone is not enough to guarantee loyalty.

Please don’t clutter our lives

Not only is brand loyalty hard to define and measure, it is also increasingly difficult to attain.⁹ For marketers, this means that now, more than ever before, it is vital to understand and be able to measure the value of loyalty in their customer bases. To enable that to happen we have to understand the process by which a customer becomes loyal. And that means casting aside our sacred cows such as Satisfaction Surveys and Loyalty Programs and getting back to basics.

Newell¹⁰ gives an excellent example of this: ‘One company I interviewed told me that when they decided to create a loyalty program to increase their retention of best customers, they started the process by talking to customers and asking questions. One of the key questions was, “How much would you value a frequent buyer reward program?” Customers told them, “Please don’t clutter up our lives. We just want someone to care about us and know what we want”.’

Loyalty leaders outperform the competition

Ahmad and Buttle¹¹ summarise the goal of a firm’s marketing activities as facilitating the making of a profit, ‘irrespective of the way sales are made, whether by transactional encounters or relationships...’

*‘These guys are doing 20 a month
– month in, month out – and
they’re just sitting there waiting
for the phone to ring because they
have worked hard building up a
loyal client base.’*

In exploring the difference between a transactional encounter and a relationship, I asked a marketing director of a car company whether he thought his dealers felt that having loyal customers was worthwhile. His response was typical of what many other marketers have told me: ‘I think they do, but they don’t spend a lot of time thinking about it. Part of it is the way they sell cars. Most car salespeople are in the business with a short-term view – “It’s a job until I get something better” – but they’ve been in the job 15 years and they still have that attitude. Occasionally you will come across a salesperson who says, “If I stay with the same dealership, working with the same customers, it’s going to get easier for me”. These guys are doing 20 a month – month in, month out – and they’re just sitting there waiting for the phone to ring because they have worked hard building up a loyal client base. But there aren’t enough of them doing that.’

In an interview with Frederick Reichheld, Finnie and Randall¹² highlight the strategic need for loyalty by arguing that, ‘loyalty drives financial success



Exhibit 1.1: Oliver's Generic Model

– especially in today's volatile economy'. As a strategy, the authors say that by 'keeping profitable customers and growing relationships with them, the 'loyalty leader' companies identified by Reichheld out-performed their competitors in the stock market by a factor of 2.2 on average during the 1990s. Bain research shows that a mere 5% increase in customer retention generates 30% to 40% increases in a customer's lifetime profitability in industries such as software and building management, and as much as 90% gains in financial services and advertising. The ability to build and nurture loyalty over time has become an invaluable differentiator for successful organisations.

'...a 5 percentage point shift in customer retention consistently resulted in 25–100% profit swings.'

It wasn't until the 1990's that marketers really started to take this concept of retention seriously and turned their focus to customer retention as a better way to generate profit: 'We encountered evidence which supports this hypothesis when we studied the linkage between customer retention and profits. Seemingly insignificant changes in customer retention rates in several of our clients' businesses resulted in eye-popping improvements in profits. Then, we studied a wide array of industries, and found that a 5 percentage point shift in customer retention consistently resulted in 25–100% profit swings.'¹³

In love but no plans to marry

‘Virtual consumption is what a lot of luxury goods like sports cars have. Everybody says, “Wow. Swell. They’re great. I love them. They are my favourite brand.” But when you ask when or if they are going to buy one, they say “Oh no. I can’t afford one” or “It doesn’t suit my needs or my lifestyle” or “I like it, but I can get a better deal on something else” or “It doesn’t come in the color I want.” What you have here are people who think they are in love with you, but who have no plans to marry you. In some cases, they’ll even buy the T-shirt and wear your advertising, and because of that they will think that they are using your product when they aren’t. This is all very flattering, but it doesn’t spell success.’¹⁴

Zyman, as a marketer, puts a stake in the ground with his statement above, saying that ‘action loyalty’ is the only thing worth thinking about. This is supported by Neal,¹⁵ who is typical of a number of researchers, defining Customer Loyalty as ‘the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category’. Neal maintains that real customer loyalty is a behaviour measured in proportion.

***...true loyalty is both an attitude
and a behaviour.***

In contrast, loyalty is described by Oliver⁸ as ‘a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour’. Neal’s definition discounts the attitudinal aspect of loyalty that Oliver refers to as ‘commitment’ (see Exhibit 1.1), which Assael¹⁶ says may give a misleading picture: ‘Repeat purchase of the brand may not represent commitment, it may merely represent acceptance of the brand’. Oliver’s definition, however, implies that true loyalty is both an attitude and a behaviour.

Spreading the word

Reinartz and Kumar's¹⁷ findings support the contention that loyalty is both attitudinal and behavioural. Their research found that customers who scored highly on both attitudinal and behavioural measures were '54% more likely to be active word-of-mouth marketers than those who scored high on behavioral loyalty alone'.

This advocacy (word-of-mouth) is perhaps the ultimate measure of loyalty; its power being illustrated by Bowen and Shoemaker,¹⁸ who found that advocates not only spend more money themselves, but also bring in an average of 10 new customers who also spend money. Reichheld⁷ sums up the value of advocacy as a loyalty indicator when he says, '...loyal customers talk up a company to their friends, family, and colleagues. In fact, such a recommendation is one of the best indicators of loyalty because of the customer's sacrifice, if you will, in making the recommendation. When customers act as references, they do more than indicate that they've received good economic value from a company; they put their own reputations on the line. And they will risk their reputations only if they feel intense loyalty.'

In summary then, a truly loyal customer is one who has a deeply held commitment to a brand and shows that commitment through consistent purchasing behaviour, is resistant to negative situational influences and competitive threats, and advocates the brand to others.

Making the leap

Many researchers have concluded that there is a 'black box' between satisfaction and loyalty, to which they have assigned a variety of descriptions; for example, commitment,^{19,8} trust²⁰ and transformations.²¹ Loyalty, according to Reichheld,⁷ is 'so important to profitable growth, measuring and managing it makes good business sense. Unfortunately, existing approaches haven't proved very effective. Not only does their complexity make them practically useless to line managers, but they also often lead to flawed results.'

What is needed, in order for business to profit from loyalty, is a 'road-map' that clearly defines the antecedents of loyalty and which passes the 'real-world' test; in other words, easily open to real-world interpretation and understanding.²²

Summary

- Market control is being ceded to the customer in many instances, which means as marketers we should practise upside-down marketing by finding products for customers rather than customers for products.
- A satisfied customer isn't necessarily a loyal one, but there is general agreement among researchers that the forces of loyalty have a direct linkage with profit and the creation of value.
- Now, more than ever, it is vital for marketers to understand and be able to measure the value of loyalty in their businesses.
- A truly loyal customer is one who has a deeply held commitment to a brand and shows that commitment through consistent purchasing behaviour, is resistant to negative situational influences and competitive threats, and advocates the brand to others.

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Chapter 2

Modelling Loyal Behaviour

As discussed in the previous chapter, there is general agreement among researchers and marketers alike, that the forces of loyalty have a direct linkage with profit and value creation, but that there is little general consensus as to what constitutes loyalty and how it is best managed.

In this chapter we will review a representative selection of those models, identify their shortfalls, and propose a new model that better meets the needs of the current upside–down marketing environment.

Existing models

A number of researchers have proposed models, but most incorporate some form of a ‘black box’. For example, Oliver’s generic model (Exhibit 1.1) includes a “black box” when he uses the word ‘commitment’ to describe his contention that ‘The consumer may require movement to a different conceptual plane – in all likelihood, one that transcends satisfaction’. In other words, there is an interim step between satisfaction and loyalty which itself is tempered by outside influences.

Oliver describes these influences as the marketing influences and switching incentives of competitors; and situational influences and consumer idiosyncracies (for example, variety–seeking behaviour). This is supported by Hofmeyr and Rice,¹ who liken commitment to an emotional ‘tug–of–war’. They maintain that the forces of involvement and satisfaction, when exerted, decrease the likelihood

of conversion to another brand, whereas strong competitive forces on the other side increase the likelihood of conversion.

Like Oliver, a number of researchers have proposed models that suggest there is a causal link between customer satisfaction and loyalty.^{2,3,4,5,6,7} While the earliest one (Aaker's) shows a direct link between satisfaction and loyalty, all of the others agree with Oliver's generic model and attempt to expose the 'black box' by proposing a variety of interim steps.

Satisfaction–Loyalty gap

The common theme from the loyalty models above is that brand equity leads to perceived value which leads to customer satisfaction which leads to loyalty. For some researchers there is an intermediate step between satisfaction and loyalty (e.g. commitment/trust). However, researchers have tended to focus on individual components such as trust rather than taking a holistic view.

*...loyalty can be said to be the
ultimate goal of marketing
activity.*

Loyalty, in turn, leads to performance outcomes; for example, market share, relative price and profitability. Therefore loyalty can be said to be the ultimate goal of marketing activity.⁸

When discussing loyalty, there are two key dimensions to consider: 'Behavioral, or purchase, loyalty consists of repeated purchases of the brand, whereas attitudinal brand loyalty includes a degree of dispositional commitment in terms of some unique value associated with the brand.'⁸

Early research into the area proposed satisfaction as the main antecedent to loyalty; however, this fails to explain adequately why satisfied customers defect,^{9,10} or why they are sometimes not profitable.¹¹

Other authors of the models reviewed suggest there is a 'gap' between satisfaction and loyalty, and propose interim steps which are summarised below:

- Commitment to rebuy (conative loyalty).⁵
- Brand trust.⁷
- Transformations (aspirational resonance).⁴

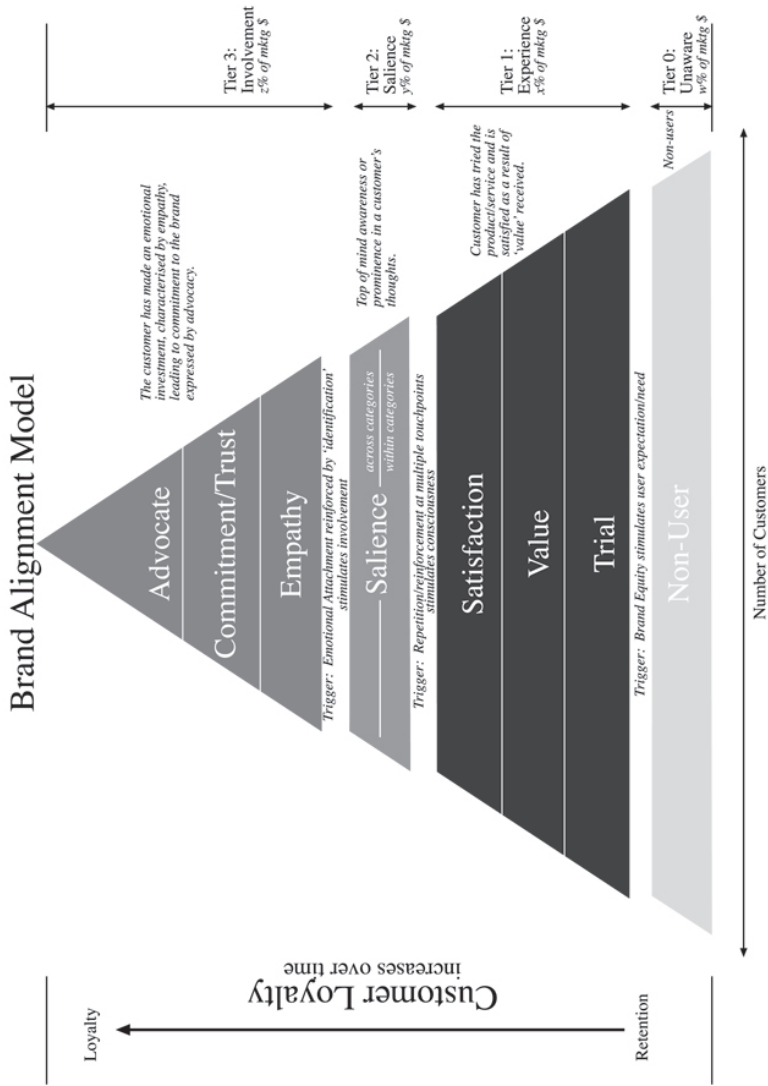


Exhibit 2.1: The Brand Alignment Model

The Brand Alignment Model

As a marketer, working in the real world, I have had to defend the spending of not inconsiderable funds on programs designed to increase profitability by targeting ‘loyal’ customers. And while I have been successful in many cases, I have felt that as marketers we are missing the point.

*What if I make a much larger
number of customers even slightly
more loyal?*

At any given time you are only going to have a small percentage of your total customers who can be defined as loyal. But what about the rest of them? What if I make a much larger number of customers even slightly more loyal? What will trigger them to change their behaviour?

That’s when I cast my mind back to school days where I was introduced to that master model-maker, Abraham Maslow. His *Hierarchy of Needs* seemed to make sense when applied to the search for loyalty. Perhaps the relationship between Equity and Loyalty is a hierarchical one similar to Maslow’s Hierarchy of Needs¹² which states that ‘basic’ needs must be satisfied before more complex ones.

Exploring this idea formed the basis of the Brand Alignment Model (Exhibit 2.1) which presents a hierarchy where the higher up the pyramid a customer reaches the more likely they are to be truly loyal.

It was built in three stages:

- A draft Model was prepared as a result of a literature search of the antecedents of brand loyalty.
- The Model was then tested in the ‘real-world’ via a series of in-depth interviews with senior executives from a range of companies. These executives represented a cross-section of industries (FMCG, finance, pharmaceuticals, retail, consumer durables) and types (multinational, national, SME).
- The Model was amended to incorporate insights from the interviewees and then validated through further discussion with them.

The Brand Alignment Model is made up of three main tiers:

- Experience – where the customer has tried the product/service and is satisfied as a result of value received.
- Salience – where the brand has top-of-mind awareness or prominence in the customer's thoughts.
- Involvement – where the customer has made an emotional investment, characterised by empathy, leading to a commitment to the brand expressed by advocacy.

In using the model, the objective is to map where various segments of your customer base are and then devise campaigns to increase the profits gained from each group. For example, a campaign to move customers from the experience tier up to the salience tier would be different from one that aims to capitalise on the already high levels of awareness of customers who are on the second tier already.

The following chapters will explore each stage of the model and present feedback from the senior executives interviewed.

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Chapter 3

The Experience

A brand is no longer simply a physical thing but a ‘virtual experience derived from the consumer’s experiences with the product, service, or company – not from the messages of broadcast media. The development of brand requires that an infrastructure of distribution, support, and service be in place when and where the consumer wants it.’¹

To build loyalty to a brand we therefore have to start by defining the key measures of that experience which starts even before someone has purchased your product.

During a discussion of the draft Model one of the respondents made the distinction between a customer who is at the Experience level on the Model and one who has not yet reached that stage. The model they use in practice has two stages: *Non-user*, defined as someone who is happy with their current choice, and *Trial-user*, defined as someone who has built up the confidence to trial the product. This was reinforced by another executive (vehicle category) who talked about non-users who were currently in the market to purchase a vehicle.

As a result of these insights a Non-user stage was added to the final Model as a necessary precursor to the Experience stage. The trial user concept has been added as the base of Tier 1 to reflect that not all people who try a product or service will have a positive experience that will lead them further up the pyramid.

Brand equity

When your brand has enough equity in a consumer's mind, they will be motivated to move into the Experience stage of the Model. Building that equity is an important issue for marketers, particularly for new products but also for products where high growth is required.

Brand equity has been variously described as:

- 'the differential effect of brand knowledge on consumer response to the marketing of the brand.'²
- '...the set of assets (and liabilities) linked to a brand's name and symbol that adds (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers.'³
- 'Positive brand equity is the marketing advantage that accrues to a company from the synergy of brand awareness and brand meaning.'⁴

*With more choice and less risk
it has never been easier for a
customer to try something new...*

However, marketing alone is not enough to build brand equity. New 'technologies, distribution channels and choices, coupled with access to better information and lower switching costs, have all contributed to increasing customer sophistication about the relationship between brand promise and performance'.⁵ With more choice and less risk it has never been easier for a customer to try something new, which means having good brand equity is not, by itself, a guarantee of loyalty.⁶

Perceived value

Value for a customer is more than just buying a product that works; it comes from the whole experience of making a choice, dealing with your company and how they feel afterwards. Based on their Balanced Scorecard research, Kaplan and Norton⁷ have identified three bases for defining Value:

- Product and service attributes (functionality of the product/service).

- Image and reputation (dimension enabling a company to proactively define itself for its customers).
- Customer relationship (how the customer feels about the experience).

In the models we looked at in the previous chapter, product and service attributes and image are essentially what Aaker defines as Brand Equity. This is supported by Parasuraman and Grewal⁸, whose model showing key drivers of customer loyalty has as its base, service quality, product quality, and price. In exploring this with respondents, price was seen universally as relevant to ‘value received’ rather than just a dollar value; i.e. a cheap price is no guarantee of repeat business if the product itself is poor quality and the service is problematic.

*‘...it’s about giving them an
experience in–store.’*

A respondent in the retail category expressed this concept of three–dimensional value (product, company, and relationship) very clearly when they talked about how they build that value equation:

‘Looking at the life of a customer from the initial visit: as is well–known in the marketplace, our prices tend to be higher than those standard within our industry. However, in saying that we are very highly service orientated, so our margins are not necessarily higher at the end of the day as we have higher overheads because of our focus on service and value–add for the customer. So from that end, with a customer’s first visit to the store, there may be a perception that we are expensive. So we will take the time with every customer who walks in the door and ask them if they have been in before. If they haven’t we actually take them through the store and introduce them to the [brand] experience; we’ll ask them about their family; who they are buying for; how many children they have etc – and really start to gather an understanding of that customer and try to identify areas in which we can value–add by offering advice around our product. And so from there, given that we get the acceptance of the customer on the first visit, we generally make a sale. Not many customers enter our store without purchasing. From there it’s driving that service home; it’s giving them something to take home to that child; it’s about giving them an experience in–store.

‘As an example, if we discover that they are buying for a birthday we do a birthday wish list with them and then offer to send it out to the grandparents, aunts and uncles etc. We will do free gift wrapping.

‘They can sometimes buy the same product at [discount retailer] for half the price, but they choose to come back to us.’

‘We will also invite them to participate in our email marketing program, and if we can confirm that it is a first visit we will also offer them a discount on their purchase. From there the customer walks out having had a pleasant experience, and it has removed the perception that we are expensive because they have received value from the time that they have spent with us. They can sometimes buy the same product at [discount retailer] for half the price, but they choose to come back to us. A recent example of this is one of our stores which is located very close to a [discount retailer] who advertised 30% off all toys one weekend. It was also a particularly big weekend for our marketing and we panicked that we had wasted a lot of advertising dollars. However, in that day we recorded our highest sales ever in that store. So the customer was drawn into the location by the [discount retailer’s] advertising such a huge discount but our customers still chose to purchase from us because of the added-value they receive.’

Satisfaction

Researchers generally agree that having experienced the product, the customer must have had some degree of satisfaction with it for them to want to come back for more. Oliver⁹ defines satisfaction as ‘the consumer’s fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant’.

According to Aaker³, customer satisfaction is derived from perceived value. This is confirmed by Kaplan and Norton⁷, who describe customer satisfaction as being derived from meeting customers’ needs. Olsen¹⁰ summarises the evolution of satisfaction by concluding: ‘...people form their attitudes about the performance of products, brands, or stores by learning about the different characteristics of

the objects and integrating these values into a more global affective evaluation [satisfaction]’.

The first tier of the Brand Alignment Model is based on a review of literature which shows that brand equity is the set of assets linked to the brand from which a customer’s perceived value is derived. Together, these are the key determinants of customer satisfaction and sum up a customer’s experience with a brand.

The 5th P

When it comes to customer satisfaction, traditional planning templates such as the four Ps (product, place, price, promotion), are counterproductive in planning a relationship marketing program. They focus on a ‘process’ and ignore people.

People don’t buy products – they buy solutions. In most markets today there is little competitive advantage to be gained through focussing on the four Ps alone. Take, for example, loyalty programs – one competitor brings one out and pretty soon everyone has their own version. In many situations it has ceased to become a source of advantage and is merely part of the cost of doing business in that market.

***‘...the value of the relationship
with the people in a small
country dealership can outweigh
the millions of dollars spent on
developing the best vehicle, and
more millions spent on branding!’***

So where can you develop a competitive advantage? The answer is simple – by building relationships with people. And to do that you need to replace the four Ps with a template that focusses on people, not processes. The power of this is illustrated clearly by my vehicle marketer when he says, ‘The role of the dealer is actually quite interesting. Because they are generally multi-franchise, they get pushed and pulled in many directions by distributors offering them deals all the time. So it’s hard for them to think about loyalty to our brand when they are busy trying to build loyalty to their dealership. In fact, for some of the small

country dealers, if you took our brand away from them they would still be just as successful because the customer is buying primarily off the dealer'. Think about that – the value of the relationship with the people in a small country dealership can outweigh the millions of dollars spent on developing the best vehicle, and more millions spent on branding!

If people buy solutions instead of product, then it follows that a customised solution will have more value than a generic one. To customise a solution you need to consider the 'value drivers' for your product. Misunderstanding them (as in the examples below) can lead to less satisfaction and profit.

Optimising the value exchange

Recently, I took a week's holiday on Queensland's Sunshine Coast. We stayed at holiday apartments (of reasonable quality) overlooking the beach. On arriving in our apartment, we found there was less than half a roll of toilet paper; enough dishwashing liquid for one wash; and one small soap each. The owners had presumed that everyone who came to the apartments did so on the basis of price (and that was the sole value driver in the relationship); and furthermore, if we had gone to the property down the road the situation would have been the same. Okay, so they have to be competitive in a very tight market; however, if they used the OVE approach (optimal value exchange) they could have made us very satisfied (at no extra cost).

So, what could they have done? On arrival, they could have given us a 'welcome' note or card which explained the apartment philosophy (especially how it differs in service level to a hotel/motel) and offered to sell a pack of "emergency rations" to save us having to go to a supermarket and buy (relatively large) packets of washing powder etc. This wouldn't have cost them anything; and in fact they could make money on the ration packs at the same time as making us satisfied. If only they had understood that 'convenience' was a value driver for us (and, I would suspect, for quite a large number of their customers)!

Another example comes from the pharmaceutical industry. My client had a product in mid life cycle that wasn't going anywhere. The product category was non-steroidal anti-inflammatories (NSAID). The whole NSAID market had suffered from some bad publicity relating to the safety of long-term use of the

products. Doctors had been inundated with study after study from pharmaceutical companies who were trying to prove their products were okay.

All the companies had presumed that the safety issue was the sole value driver in the equation. However, in talking to doctors we found out they were, in fact, bored with all the arguments. They accepted that there could be some risk (as there is with a lot of drugs) but they would continue to use the NSAID class of product unless a better alternative came on the market. By focusing on the safety issue, individual product branding had become blurred.

Our approach was to recommend that the client promote their brand in a fun, lighthearted way to remove the boredom factor. The most profitable patient group was the chronic arthritis sufferers (who used NSAIDs regularly) – the agency was briefed to put some ‘fun’ into an advertising campaign aimed at doctors with this patient group in mind. The resulting series of ads featured cartoon pictures of old people involved in different physical activities. These ads were very clearly branded and were supported by doctor ‘detail’ pieces and promotional giveaways that carried the same imagery.

The result was a 20% growth in sales in a static and highly competitive market. Rather than follow the traditional approach of positioning the product on the basis of benefits and how it differed from competitive offerings, we used the OVE principle to leverage the relationship.

Don't just take my word that OVE can enhance relationships and build profit. Alan Grant and Leonard Schlesinger¹¹ give the following examples:

- *Wine Enthusiast* (USA) uses database information on its customers' hobbies to produce 24 different covers for its catalogue. For example, the golfer gets a cover involving wine in a golf scenario.
- A Canadian grocery chain analysed what the drivers of value were for different customer groups and found that by just expanding their base of primary shoppers by 2% they could increase profitability by more than 45%.
- First USA, a financial services company, has more than 750 different credit card offers on the go at the same time.
- Taco Bell, a division of PepsiCo, resegmented their customer base by analysing drivers of value and were able to gain a 54% increase in peak hour capacity and a 71% reduction in waiting time.

Case study: delivering value

A producer of chemicals used in extracting oil from wells routinely performed a field analytic monitoring service for its customers to determine when and in what amounts they should apply the products. A salesman visiting one of the company's small, less sophisticated customers, noticed the reports stacked in a corner of the production shed.

When asked about their usefulness, the customer replied that he was not using the information at all and instead just had the producer's truck driver pump a few gallons of the chemical into each well whenever the truck came by. Learning this, the supplier offered to discontinue the service and, in exchange, give the customer a 7% per gallon price reduction. The customer readily agreed, and the profitability of that account jumped from 6% to 32%.¹²

Anderson and Nargus (above) argue that companies can increase profitability by providing naked solutions with options. Naked solutions consist of just those product and service elements that all customers within a market segment value. The company should strive to sell naked solutions at the lowest possible price that will yield a profit and then wrap those solutions with options—specific product and service elements that some, but not all, customers value.

The other key point illustrated in the case is the importance of creating a feedback loop from the people who interact with the customer. In this case, the driver could have made the observation that increased profitability months or even years earlier.

Summary

The first tier of the Brand Alignment Model is based on a review of literature which shows that brand equity is the set of assets linked to the brand from which a customer's perceived value is derived. Together, these are the key determinants of customer satisfaction and sum up a customer's experience with a brand. To maximise the value/profit equation companies should look at optimising the value exchange so that customers are given the base product plus options they value, rather than generic options that are given to all customers.

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Chapter 4

Saliency

Equity, Value and Satisfaction by themselves are not enough to improve the possibility of greater loyalty.¹ This is where Parasuraman and Grewal's model² is ambiguous – they make a leap from Perceived Value to Customer Loyalty without examining the important linkages in between. Kaplan and Norton³ recognise that leap is too large by identifying Customer Satisfaction as an interim step, but imply that this alone is enough to guarantee ongoing loyalty.

Neal⁴ takes the view that satisfaction with a previous purchase will only ensure a brand holds a place in a customer's consideration set. He says, 'The degree of satisfaction, once it has passed an acceptance threshold, does not predict which of a set of competing items in the consideration set will be chosen at the next purchase opportunity'.

...satisfaction with a previous purchase will only ensure a brand holds a place in a customer's consideration set.

Sutherland⁵ agrees that for any given product category we have a consideration set, or products that immediately come to mind when thinking of the category. In the decision-making process we weigh up alternatives based on our consideration set, which is hierarchical in nature. Sutherland maintains that the level of saliency of the brand will influence the likelihood of it being chosen. He says we think

more often about people and things that are important to us than about those that are not. Salience is this prominence in our thoughts.

Oliver⁶ alludes to the concept of salience when he discusses consumer idiosyncrasies as obstacles to loyalty. He cites four ways in which a brand's salience can be weakened:

- Variety-seeking behaviour – where an otherwise satisfied customer finds the lure of a new experience too tempting to ignore.
- Multi-brand loyalty – (Sutherland's consideration set theory) where a customer could choose equally from a number of satisfactory brands.
- Withdrawal from the product category – e.g. smoking cessation; where a consideration set is no longer necessary.
- Changes in need – where a consumer's need evolves (e.g. a child growing up), or where a 'competitive innovation fulfills the consumer's need more efficiently'.

Top of mind

Sutherland maintains that salience is hierarchical. The more salient the brand the more likely it is to be chosen. Sutherland gives this example on page 11⁵:

'First, what the mind does is produce alternatives, one at a time. This "mental agenda" of alternatives is ordered like this:

What's the choice for lunch?

- 1 Pie
- 2 Sandwich
- 3 McDonald's
- 4 Counter lunch at the pub
- 5 Pizza Hut

'Second, the order in which the alternatives are arranged is the order in which they are elicited by the mind. This order can influence your final choice. You may enjoy Pizza Hut more than McDonald's. But in the example, you didn't go to Pizza Hut, you went to McDonald's. Had you continued your thought process instead of stopping at the third alternative (McDonald's), you would probably have gone to Pizza Hut.'

Romaniuk and Sharp⁷ concur with this retrieval/memory theory, referring to it as salience/share of mind. Their research, conducted in the finance industry, found that, ‘(a) there was little evidence that any particular attributes are more related to customer loyalty than any others, nor (b) that there were specific brand positions that were uniquely associated with higher loyalty’. They did, however, find that the ‘...brand’s share of consumer mind increases the probability of retrieval (i.e. greater brand salience)’.

For a high involvement category the consumer is more likely to look much further than how top of mind the brand is and consider a wider range of feelings and perceptions which will add to a brand’s salience.⁵ Furthermore, according to Dyson *et al*⁸, there is a ‘clear relationship between brand size and the probability of purchase’. Advertising too, can add to a brand’s salience. According to Cobb–Walgren *et al*⁹ and Tellis and Fornell,¹⁰ advertising not only creates awareness but also can affect the perceived quality of a brand and influence usage experience.

Transference

The FMCG respondent brought up the concept of transference in the discussion surrounding the Salience tier. They use transference in the context of an existing customer ‘transferring’ their loyalty to one of the company’s products to another product in a different category. For them it was an example of salience in action – the number of different products and categories the company has the greater the likelihood there is of a satisfied customer transferring their satisfaction with one product to another one by the same company: ‘...because we are expanding into other aligned categories, loyalty is critical for me, because if they buy one they may buy another. So I get this transference through a very wide range across both life–stage and life–style segments. And we get the consumer saying ‘we trust [the company] and we trust this brand’.

This is consistent with Dyson’s finding that there is a ‘clear relationship between brand size and the probability of purchase’.

The greater a brand’s share of the consumer mind (salience), the more likely it is to be chosen. The research suggests that there are a number of factors that can contribute to a brand’s salience, the effects of which will vary across markets and products. However it is arrived at, it is the degree of salience itself that is

a key variable in influencing loyalty. However, while salience influences repeat purchase, it doesn't necessarily ensure loyalty as the impact of market forces can alter the hierarchy.

Maintenance

Maintaining your brand's salience is not just as simple as spending a lot of money on television, particularly when the purchase cycle is a long one, as in the case of motor vehicle purchase.

*'...they couldn't see it initially,
but now the workshops are full.'*

This was something that executives in the car company I interviewed were particularly conscious of. They believe that in order to retain customers and build loyalty they need to keep in contact over the 3–5 year purchasing cycle to keep the brand salient: 'It's interesting, because we are a distributor so we have 27 dealers who we see as our prime customers but obviously beyond that there is the end user. We've just had a planning strategy session as we think about the next 5 years. One of the areas that we want to become the best in the business at is this whole area of customer retention. Because I think, as an industry, we are very much focussed on "pushing the metal" and our dealers definitely are. Dealers are very retail day-to-day oriented and they don't think long term. One of the things we have done to build customer retention and loyalty is offer free service on our vehicles, because purchasing a vehicle occurs maybe once in 5 years but they are coming back to the dealership on a regular basis to get the car serviced. They weren't coming back before that. After 12 months we were only retaining 30% of them for service. But now 99% of our customers are coming back over that three-year period, and what's more in the fourth year we are still retaining 60%.

'When we first introduced that our dealers were up in arms about it, saying "We'd rather have another \$1000 discount on the vehicle". It also meant that we were, from their point of view, controlling the cost of service, whereas in the past they could charge what they liked. The result has been a major increase in

servicing, plus a happy customer who is getting something for nothing. Now, if I said to the dealers that we were stopping this they would really scream because it has worked for them – they couldn't see it initially, but now the workshops are full.

'It also means we are staying in touch with the customer, again, our dealers haven't been great with their databases.'

The consumption chain

As discussed previously, the relationship you have with customers is built not just on your product or service but, the total experience the customer has with you. In fact, it is the total package that drives salience, not just the product itself. To be able to manage that experience you need to understand how a customer 'consumes' your product.

Ian MacMillan and Rita McGrath¹¹ have coined the term 'consumption chain' which maps a customer's entire experience with your product. According to MacMillan and McGrath, mapping the chain can uncover valuable opportunities for differentiation.

The authors pose a number of questions which relate to the different links along the chain. For example:

- What are they doing at each point along the chain? What else could they be doing? What problems do they encounter?
- Where are they at each point? Where else could they be? Where would they like to be?
- Who are they with? Who influences the customer? How could you change either of those things to your advantage?
- When (day, night, time of week, time of year) are they at any point in the chain?
- How are their needs being addressed? Do they have concerns? How else might you meet these needs?

Summary

Equity, value and satisfaction are by themselves not enough to improve loyalty, rather they only ensure a brand holds a place in a customer's consideration set. A

high level of salience will increase the likelihood of your brand being chosen from that set. A high level of salience for your brand will also increase the likelihood of new products (under that brand) being included in someone's consideration set. To increase salience you need to think beyond straight brand marketing and add value to the way a customer consumes your product.

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Chapter 5

Involvement

Assael¹, on page 133, quotes a study by advertising agency J Walter Thompson that ‘found that brand loyalty is highest when consumers are personally involved with the brand’. So what factors increase a customer’s involvement?

Empathy

Fournier² links empathy with psychological drivers saying that people ‘are not just buying brands because they work well. They are involved in relationships with a collectivity of brands so as to benefit from the meanings they add to their lives’ (confirming Gilmore and Pine’s contention regarding transformations³). She gives an example based on an interview:

‘Jean’s brand relationship portfolio is best distinguished by the sheer number of close relationships in it and the enduring nature of her attachments. It was hard to identify brands in Jean’s repertoire that were not specified as deeply held commitments, many of which have survived for decades.’

Fournier goes further, finding that ‘brand relationship endurance and depth was much greater than that implied in simple notions of brand preference’. Bejou and Palmer⁴ support this contention. They conclude that ‘social bonds may be developed by customers at an emotional level that make the relationship more resistant to intermittent failures’.

Delgado–Ballester and Munuera–Aleman⁵ conclude that companies should not only manage satisfaction with the ‘intrinsic characteristics of the brand’ but also consider traits that are related to feelings of empathy (also supported by

Parasuraman *et al*⁶). This will help the customer to trust the brand, consequently feel more committed to it (supporting Morgan & Hunt's conclusions⁷), and have a predisposition to pay more for it.

Commitment/Trust

In an extensive review of literature Buttle and Burton⁸ suggest that 'customer loyalty is an attitudinal state, reflecting value, trust and commitment within supplier–customer relationships'. Morgan and Hunt⁷ theorise that 'the presence of relationship commitment and trust is central to successful relationship marketing'. They maintain that commitment and trust go together because 'commitment entails vulnerability, parties will seek only trustworthy partners'. Morgan and Hunt also offer two definitions:

'We define relationship commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure it endures indefinitely.

'We conceptualise trust as existing when one party has confidence in an exchange partner's reliability and integrity.'

***...having trust in a brand will
result in a greater commitment to
purchasing it.***

Delgado–Ballester and Munuera–Aleman⁵ define trust as 'a feeling of security held by the consumer that the brand will meet his/her consumption expectations'. This is derived from the perception of reliability, i.e. when 'one party has confidence in an exchange partner's reliability and integrity'.⁷ Morgan and Hunt theorise that having trust in a brand will result in a greater commitment to purchasing it (measured by an increase in purchase intent). They go on to say that they believe (on the basis of their empirical research) that relationship commitment and trust are central to relationship marketing success, rather than 'just two more independent variables'. They also conclude that, 'in

high involvement situations, brand trust exerts a stronger influence on customer commitment than does overall satisfaction’.

While there is agreement that commitment is an important factor in evaluating overall loyalty, the studies reviewed so far are limited by the cross-sectional design employed.^{7,5} Hofmeyr and Rice⁹ present the Conversion Model, which is both longitudinal and based on research in a variety of industries. The Conversion Model ‘...classifies users of a product or service in terms of how committed they are to continue to use it. Non-users are classified in terms of how available for conversion they are.’ The Conversion Model has four dimensions:

- Needs-values fit: commitment is stronger when customers’ needs/values are closely matched.
- Involvement: the more a customer’s choice matters to them the more involved they will be.
- Attraction of alternatives: the greater the appeal of competitive offerings, the less committed a customer will be.
- Ambivalence: where a customer’s commitment to their current choice is not strong enough for them not to find an alternative appealing.

...a customer who is not committed is six times more likely to defect than one who is highly committed.

Hofmeyr and Rice’s dimensions can be likened to an emotional ‘tug-of-war’. The forces of involvement and satisfaction, when exerted, decrease the likelihood of conversion, whereas strong competitive forces on the other side increase the likelihood of conversion.

Hofmeyr and Rice provide empirical data to measure the value of commitment to a firm. They found that of users who had defected from the brand only 9% were classified by the Conversion Model as ‘entrenched’, while 60% had been classified as ‘convertible’. In other words, a customer who is not committed is six times more likely to defect than one who is highly committed.

A customer's involvement with a brand can be measured by the extent to which they make an emotional investment in it. That emotion is characterised by the extent to which a customer empathises or identifies with the brand which in turn leads to a higher level of brand trust and commitment. Without commitment, a customer is more likely to defect and less likely to be an advocate of the brand.

Advocacy

The ultimate measure of involvement is advocacy. Bowen and Shoemaker¹⁰ sum up the value of advocacy from their research in the hotel industry:

‘Although keeping customers satisfied is important, loyal customers are more valuable than satisfied customers. A satisfied customer who does not return and spreads no positive word of mouth has no net present value to the company.

‘Customers will give back to the hotel to which they feel loyalty. For instance, data from the study indicate that a guest who feels loyal to a specific property will relay positive comments about the hotel to a median of 10 people and will also spend more money at the hotel.

‘Loyal customers do more than patronise a hotel; they also encourage other people to try the property. Positive experiences shared by colleagues reduce a person's risk in picking an unknown hotel. Loyal customers create positive word of mouth by being strong advocates for a hotel.’

*... great brands make
an emotional connection...*

Berry¹¹ says that great brands make an emotional connection: ‘Brands that connect with customers’ emotions are those that reflect customers’ core values. In effect, the brand captures and communicates values customers hold dear.’

I believe that it is this emotional connection (measured by the propensity for advocacy) that is the final determinant of loyalty. Reichheld¹² expresses the value of advocacy clearly when he says:

‘It turned out that a single survey question can, in fact, serve as a useful predictor of growth. But that question isn't about customer satisfaction or even loyalty – at least in so many words. Rather, it's about customers' willingness to recommend

a product or service to someone else. In fact, in most of the industries that I studied, the percentage of customers who were enthusiastic enough to refer a friend or colleague – perhaps the strongest sign of customer loyalty – correlated directly with differences in growth rates among competitors.’

Reichheld sums up the value of advocacy as a loyalty indicator when he says, ‘...loyal customers talk up a company to their friends, family, and colleagues. In fact, such a recommendation is one of the best indicators of loyalty because of the customer’s sacrifice, if you will, in making the recommendation. When customers act as references, they do more than indicate that they’ve received good economic value from a company; they put their own reputations on the line. And they will risk their reputations only if they feel intense loyalty.’

Encouraging involvement

In discussing the Brand Alignment Model with the executives in my study it became very clear that building customer loyalty was a key value driver in all their businesses. And not just loyalty per se – the important thing is to manage the relationship to best meet the needs of the customer and the company.

***‘We’ve got 5 years to move them
up the pyramid; but we’ve also got
plenty of opportunity to stuff
it up.’***

As one of them said, ‘It’s 5 years before they are going to make another purchase, which is good and bad. We’ve got 5 years to move them up the pyramid; but we’ve also got plenty of opportunity to stuff it up. That means we have to keep in touch with them to try to keep them satisfied and to try to involve them more.’

For an FMCG marketer loyalty is equally important, not just loyalty to one product but loyalty to the overall brand: “The [range] category has been flat for a couple of years so it’s critical for us that people come back and they trust – probably loyalty and trust is the key thing for this category. Because we are expanding into other aligned categories, loyalty is critical for me, because if they buy one they may buy another. So I get this transference through a very wide

range across both life–stage and life–style segments. And we get the consumer saying “we trust [the company] and we trust this brand”.’

So how do you encourage customers to be more involved – to make your brand a part of their everyday lives? A good place to start is to look at the dynamics of the relationship.

Relationship dynamics

Evert Gummesson,¹³ in his book *Total Relationship Marketing*, identifies 11 properties to consider:

1. Collaboration.
2. Commitment, dependency and importance.
3. Trust, risk and uncertainty.
4. Power.
5. Longevity.
6. Frequency, regularity and intensity.
7. Closeness and remoteness.
8. Formality, informality and openness.
9. Routinisation.
10. Content.
11. Personal and social problems.

A key theme in all of the points above is partnership. In other words, how equal is the partnership between you and your customers? Do you present your customers with opportunities to tell you how they feel (important in any relationship)? How involved are your customers with your brand, over and above the utility value they gain from it?

Motorbike manufacturers have long recognised that bikes for their customers are more than just a mode of transport. Many of them have clubs that riders belong to that encourage interaction between riders and the brand. For example, BMW has an annual safari that BMW riders can go on to experience the fellowship, see new models and generally have a great time. That’s what forming a strong relationship is all about. And, riders pay for the privilege because they value the partnership.

If your customers feel emotionally involved in your brand they are much more likely to talk to you (giving valuable feedback) and recommend you to others. The following case studies are good examples of this in action.

Building involvement through emotion

If you're in a low customer-involvement or commodity market, one way to get involvement is to inject some emotion into the loop. Once people become emotionally involved they are more likely to remain loyal and increase their usage of your product.

Take the example of Apple Computer, who in the 80s took what was a technical product and gave it a personality by creating the Macintosh. They supported it with 'countercultural' advertising, most notably in the classic '1984' commercial regarded as one of the best advertisements of all time. After losing their way for a while, Apple did it again, starting with the see-through, colourful G3, and later with the i-Pod.

Virgin Airways is another model of what can be done in an industry that has traditionally had low customer involvement. They've combined a distinctive value proposition (first-class seating at business-class prices) with a fun personality that engages customers.

How about Starbucks – instead of viewing coffee as a functional product, they set out to make coffee an emotional experience, what customers refer to as a 'caffeine-induced' oasis.

SMH, the Swiss company that created Swatch, turned budget watches into a fashion statement. Before Swatch, people usually purchased only one watch. Swatch made repeat purchases the standard.

Nestle encourages consumer involvement and interaction by having dietitians on staff for customers to ask questions (particularly new mothers).

Summary

- In order for a customer to be committed to a brand, rather than just viewing it as part of their brand repertoire, they must first empathise with it.
- A customer's involvement with a brand can be measured by the extent they make an emotional investment in it.

- The ultimate measure of involvement is advocacy. By acting as a reference, customers are putting their own reputations on the line, and won't do that unless they feel intensely loyal.

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Chapter 6

Working with the Model

There is no one right way to make loyalty profitable. Different approaches will be more suitable to different businesses, depending on the profiles of their customers and the complexity of their distribution channels.¹

The development of the Brand Alignment Model is an attempt to focus on the process by which loyalty is built rather than to provide a one stop solution. In particular, it can be used as a planning template for organisations to pursue a loyalty strategy that is relevant to them and their market situation. It does this by focussing on customer attitudes rather than just behaviours which are easy to measure (such as RFM models). When customers are sorted according to their profitability and longevity (behavioural measures), it becomes clear that the relationship between loyalty and profits is by no means assured.¹

In fact, some of a company's most loyal customers may not even feature in RFM-type calculations: 'As someone's income increases, she may move up the automotive ladder from the Honda she has bought for years. But if she is loyal to the company, she will enthusiastically recommend a Honda to, say, a nephew who is buying his first car.'² That's why the Model focuses on attitudinal trigger points (such as managing touchpoints and emotional attachments) as tools to move customers further up the pyramid to become advocates.

By developing strategies that encourage customers to reach the top tier of the Model, companies are likely to increase the percentage of customers who are 'promoters' which will result in a higher company growth rate.²

Relevance as a strategy

Existing research^{3,4} has found that true loyalty is both an attitude and a behaviour. The executives interviewed for this research all agreed with this assertion. In all cases actual customer behaviour was tracked, and in some, attitudes were tracked formally, for example, ‘...we capture wrap-up codes on the telephone system...’ (Executive C). For a number of the companies, word of mouth was seen as important in tracking attitudes: ‘What we want is people who not only buy our product but also talk about that product’ (Executive F). In his definition of loyalty, Oliver⁴ starts off by describing it as ‘a deeply held commitment to rebuy...’; in describing their ideal customers the interviewees concur.

‘Loyalty is the acid test of leadership.’

Frederick Reichheld, in an interview with Finnie and Randall⁵ said, ‘Loyalty is the acid test of leadership. It is the best way to know whether a leader is achieving financial results through the success of employees and customers or at their expense.’ Reichheld believes in the viability of the pursuit of loyalty as a business strategy driven from the top.

While agreeing with that idea, I wondered at the outset of this research whether this feeling would be shared by the interviewees. For this reason interviewees were asked to discuss the relevance of such a strategy to staff, management, and the Board. All the executives agreed that the pursuit of loyalty was a viable business strategy and in each case said the Board were either actively involved: ‘Yes, at the moment they are pushing us to develop a retention program’ (Executive C); or would be open to an investment in it: ‘Absolutely, although I would have to demonstrate the payback because marketing money is just like capital money’ (Executive F).

Oliver’s model is typical of many researchers in that to achieve the end stage, in this case ‘action loyalty’, a customer must first move through the other three (cognitive, affective and conative loyalty). In other words, there is a hierarchy involved. Interviewees were asked to confirm that, in their opinion, a hierarchy exists, and if so to describe the stages a customer would go through. While

in each case the stages were different, they were all hierarchical. However, for the final stage, each respondent had the same description: word-of-mouth/advocate/recommender.

Trigger factors

All the executives I interviewed agreed with the hierarchical nature of the Model and the descriptions assigned to each tier. However, the most important question to consider before the Model could be of use, was specifying events that precipitated a move from one tier to the next (the original Model hadn't identified these).

One respondent (FMCG) said there would be a different thought process depending on the product. If you take a beverage: 'I buy it, it looks good, and it delivers on its promise'. The promise would be 'taste'. It would then become one of that consumer's choices for next time. In other products without immediate fulfillment it's much harder. The consumer has to know that it's a quality product because they can't see an immediate effect. So there's probably much more of a thought process involved – they've got to really know that brand and trust that brand. So if there is any doubt they will take the brand they know.'

What is going on in a consumer's mind?

The science of neurodynamics gives us an insight into what happens in the mind as a result of a person's experience in a given set of circumstances (e.g. repetitive purchasing of a particular product).

Many of the decisions we make are based on learned behaviour and made 'largely by means of nonconscious processing'. Nonconscious processing is defined as involving 'the automatic selection of cognitive, perceptual and behavioral routines that are appropriate for a given situation, and which require little or no effort or conscious deliberation for their activation'.⁶

Hence a product that has been purchased frequently is more likely to have a high level of salience than one that has not. Therefore a likely trigger for someone to move from Tier 1 (experience) to Tier 2 (salience) is repetition of the positive experience that led to satisfaction. Executive A (retail) gave an example of the power of repetition of positive experiences when she said, 'What we actually see

is that they come back and they bring Grandma with them, or they'll bring their husbands in. I've been in the store myself when an obviously very loyal customer knew everybody's name and everybody knew the name of her child. And we talked for some time about why she chooses to shop with us, and basically it came back to the added value she received and for that reason she will continue to shop with us'.

To move to the Involvement Tier a customer must form some kind of emotional attachment adding meaning to their life.⁷ The trigger to reach this stage then is the establishment of an emotional linkage with the product. The brand has gone from having merely functional relevance (based on the product's function) to having a personality where it confers desired qualities to the user⁸. In other words, the consumer 'identifies' with the brand.

The trigger factors proposed are shown in Exhibit 6.1:

Tier	Trigger to move to next tier
Tier 0: Non-user – but in the target market for product or service	<ul style="list-style-type: none"> • Building of brand equity to stimulate user expectation/need <i>Examples: promotion; word of mouth; sales force; visibility in community; organisation size and credibility; point of sale visibility; new product launches.</i>
Tier 1: Experience – customer who has tried the product/service and is satisfied as a result of 'value' received	<ul style="list-style-type: none"> • Repetition/reinforcement at multiple touchpoints to stimulate consciousness <i>Examples: one-to-one contact; endorsement from opinion leaders; added value services; wide distribution (easy availability).</i>
Tier 2: Salience – top-of-mind awareness or prominence in a customer's thoughts of product and brand	<ul style="list-style-type: none"> • Emotional attachment reinforced by 'identification' <i>Examples: experiences with the product; outside endorsement of decision; positive interactions (two-way information flow); involvement in customer lifestyle.</i>
Tier 3: Involvement – customer has made an emotional investment, characterised by empathy, leading to commitment to the brand expressed by advocacy	

The Model as a marketing plan template

In discussing the use of the Model as part of a marketing program, it became clear that the Model's value lay in its flexibility to fit a variety of market situations rather than being too prescriptive and therefore of limited use. A good example of this came from the FMCG executive:

'It would be interesting to put, along with loyalty, dollars required to get up to the top, because that will vary. It would be worth overlaying that on a cost-benefit model by category. In some categories all I might want is to get that satisfaction because I'm just going to keep putting out new products because my industry is built on rapid NPD [new product development]. You could also map it against Speed – time taken to get to the top – and then Cost. That will influence what shape your pyramid takes. Because there has got to be a return – and the longer it takes the more risk there will be involved. I could use the Model to look at where I am going to spend my money. For example, what percentage would I allocate in each part of it?'

In considering the Model's applicability to your own situation, I recommend you ask the following questions:

1 How are your customers currently distributed across the pyramid?

If you're not sure, undertake some market research to find out. Then you will be able to determine your objective; for example, to increase the level of salience among newer customers to increase your share of their category spending.

2 Who are my Tier 3 (involved) customers?

By identifying this group you can put in place plans to harness the power of word-of-mouth.

3 What is the ideal shape for the Model in future?

By getting a baseline picture now, you can track changes over time (i.e. percentage of customers at each level) and link that back to overall profitability and determine the effectiveness of your marketing expenditure.

Whatever the marketing challenges you face I hope that you can make use of the Brand Alignment Model in formulating your plans!

References

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