Creating Value that Results in Loyal Customers

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Abstract

In today’s market customer service became the crucial edge in total market share. Companies that have put their customer needs above their own have taken over those that did not. With the rise of digital technologies, such as the Internet, today’s increasingly informed consumers expect companies to do more than connect with them, more than satisfy them, and even more delight them. They expect companies to listen to them. In addition, it not enough just to listen one’s costumers, it is more important to actually implement solutions for which they asked for. Studies have shown that implementing new solutions timely can increase the chance of the costumer coming back to one’s business. Of the costumers who registered a complaint, between 54% and 70% will do business with the organization again if their complaint was resolved. The figure goes up to staggering 95% if the customer feels the complaint was resolved quickly. This paper will focus on emotional benefits of having good customer relationships, striving towards delighted satisfaction and how it affects the value of the product as well as the customer loyalty.

*Key word:* customer relationship, satisfaction, customer loyalty, customer management,

In order to understand what the organization can do to increase the value of the product beside the product itself, marketers have to understand what costumer sees as value of a certain product or service. It goes beyond the price itself and focuses on the perceived value of time, energy and psychological costs and its perceived alternative for the same product or service. According to Kotler and Keller (2009), “The marketer can increase the value of the costumer offering by some combination of raising economic, functional, or emotional benefits and/or reducing one or more of the various types of cost.”

The level of a buyer’s satisfaction begins when he/she first encounter the product or service representative. Whether the buyer is satisfied after the purchase will depend on the performance of the value proposition. There are three possible outcomes when dealing with customer satisfaction: disappointed, satisfied or **delighted**. If a customer is disappointed with his/her purchase, he/she is not likely to come back. Moreover, he/she will often bad-mouth the organization that has not reached the promise or customer’s expectation. On the other hand, if a customer is delighted with the product he/she is more likely to do business with that company again. Naturally, every company has a goal to delight their customers, because it creates loyal customers who will praise the company. Kotler and Keller (2009) found high satisfaction or delight creates an emotional bond with the brand or company, not just a rational preference.”

Loyalty is something that is in any business best interest. A deeply held commitment to rebuy or repatronize a preferred product or service in the future might exist despite situational influences and marketing efforts having the potential to switch behavior. Achieving loyalty in today’s market requires involvement from all levels of an organization. (Oliver Ryan, “Putting Your Customer to Work”, Fortune, 2006) For an example, Superquinn, the Irish supermarket chain became somewhat of a cult because of the level of loyalty that customers had for it. The secret was the effort to individually communicate with its customers and meet their needs. According to Kotler and Keller (2009), “Company personnel can create strong bonds with customers by individualizing and personalizing a relationship. In essence, thoughtful companies turn their customers into clients” to create the base of loyal customers interacting with the customers, developing loyalty programs, personalizing the market and creating institutional ties.

Interacting with the customers is a crucial to a good organization-customer relationship. In addition, this means that even senior management has to comprehend the feedback from the customers. An extra touch from the company always goes the long way with customer retention and feedback. Developing loyalty programs has increased tremendously within the last ten years. It started with airline companies and hotels, but later spread to banks, supermarkets, gas suppliers, hair salons, and restaurants. This way companies can reward frequent buyers and offer them discounts for their continued business. Moreover, it can help create data about buyer’s habits and preferences so a company can serve them better. Personalizing the market has become the theme for the modern marketing. The personal communication with an individual customer (client) can create a strong bond between the company and the consumer. Specific details of our customers’ preferences can be extracted by using the right technology or personal involvement. One might argue that this could be an competitive advantage when competing for the customer, especially when dealing with the high-class people. Creating institutional ties relates to using technology as a tie between the customer and the company. This helps creating the environment where the consumer does not want to leave the company because it is integrated in their life. An example is software that can help customers manage orders, payroll, and inventory.

Customer management is the process of managing all the possible information that a company has about its customer in order to improve its service and create loyal customers. In this process it is important to establish desired quality and service in all of the customer touch points. Customer touch points are any occasions when a customer encounters the brand and the product. (Kotler and Keller, 2009) Companies will have different touch points with their customers. For an example, billing might be an important touch point for Comcast internet provider while delivery might be for Domino Pizza. Liu and Yang (2009) found that proliferation of loyalty programs reflects a changing environment that is increasingly characterized by intense competition, more demanding and knowledgeable consumers, and a development toward relationship marketing and relationship management. Moreover, companies that have not established loyalty programs are losing their customers. It is much easier and cheaper for the a company to maintain current customers than is to get new ones. Therefore, managing customer relationships correctly will help a business run more smoothly and cost efficient. By losing customers, a company is not only risking the market share but also the bad-mouthing that an unsatisfied customer will do.

Any company can increase the value of its product by increasing the value of the bundle. This bundle includes product quality, warranty, energy and time spent buying and maintaing it. Furthermore, it is the feeling that the customer feels acknowledged and respected that will affect his overall satisfaction with, a company’s products. These aspects can be managed to make a company more profitable.

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