

| Print |



Loyal behavior reflects on ROI

Persistence with loyalty development undoubtedly led to a surplus on the bottom line, and simply proves the invaluable link between loyal co-workers and loyal customers.

For the past four years I have extensively worked with loyalty- and customer-service programs in various industries either as consultant or as sales and marketing manager. I am now sales and marketing director at Andersen & Martini A/S, the largest car dealer and importer in Denmark, which is listed on the Danish stock exchange. Upon entry in the company, I immediately worked on developing the four-year-old Loyalty and Dialogue Program, which has been nominated to three National Direct Marketing Awards. All these we achieved without the help of any external marketing or advertising agency.

Companies lose customers to poor communication

I have spoken at various seminars, including large DM- and loyalty events for over 15 years. But I am still amazed when each time I present the fact that companies lose 68% of customers because of bad or no communication

“ companies lose 68% of customers because of bad or no communication

”

many people sit up and take note. Perhaps, we're so used to hearing our sales people say that we lose customers because of high prices and lack of service, which of course is true in 1 out of 10 cases. Now we hear a much higher figure and different reasons.

Why then are so many businesses doing so little about the situation?

Selling to existing customers is usually much easier, and 12-15 times more profitable, than selling to new ones. Yet 80-90% of business communications spending today is addressed at new customers, and only 10-20% is spent on relevant loyalty-creating dialogue with existing customers.

If you lose more customers than you are getting, you should focus on keeping the ones you already have, instead of getting more new ones to replace the lost customers. Think of it as a bathtub, where the water drains out through the bottom.

“ Think of it as a bathtub, where the water drains out through the bottom.

”

No matter how much water flows in, the tub will never fill up. However, if you plug the hole in the bottom, your bathtub will begin to fill with nice hot water. Similarly, once you creatively focus on customer loyalty, you will soon notice the current customers are staying on, even as new ones come in.

Easier said than done? Maybe. But solutions do have to be instituted immediately, before you lose more customers. The suggested solution: Loyalty development.

The fifth P is taking the front seat

Not long ago businessmen and marketing practitioners just had to remember Phillip Kotler's famous four P's - Price, Product, Place and Promotion - to create and maintain a successful business. Today, however, a fifth P--for People--has taken the front seat. People, our customers and employees, make the big difference between gaining a profit and losing money.

The link between loyal customers and loyal employees is often taken for granted, and comes as a surprise to

many leaders in the world today. Normally you will hear that there are no, or very little, gains realized through CRM (Customer Relationship Management) and loyalty management. Long-term investment on a reoriented management philosophy, instead of merely adjusting systems and measurements, seems to be the main reason. Also, once initiated, loyalty programs should be maintained not only to recover the cost of initiating it in the first place, but also to realize its progressively increasing benefits. Yes, these programs DO work.

From negative to positive EBIT

Within the first year of focusing on customer loyalty Andersen & Martini managed to create a positive result on its EBIT (Earnings Before Interest and Taxes), a situation that had non-existent in the last 20 years. Although we have been working with CRM and true loyalty management for only 4½ years, we have had amazing results every year. Exceptional achievement was gained in 2004-2005 with a 123% increase in customer retention.

“ Exceptional achievement was gained in 2004-2005 with a 123% increase in customer retention. ”

We have proved that quick wins can actually be achieved.

Initiating the loyalty building process

In most industries, data is either not collected, or worse, collected but not used. Andersen & Martini A/S was no different some 4 1/2 years ago. Management even had the notion that the clients were loyal. Sure, for years, customers kept coming back to buy the same type of cars again and again. But when the head brand, Opel, experienced quality problems, the company started a price harmonization, even before the competitors did. The company started losing more regular customers than attracting new ones. Yet, no one thought of finding out why the customers were not coming back.

The business was managed the way it had been for years; brand marketing was left to the advertising people to handle. With no respite in the downtrend in sight, the situation was ripe for an entirely new tact. We decided to act. But we knew that results would not be immediately visible, much less felt.

When change is offered, expect resistance.

“ When change is offered, expect resistance. ”

We carefully analyzed the company's traditions, people's feelings, internal struggles, and the like. In other words, we researched and tried to understand the corporate culture. As a trained Assessor in the Business Excellence model, I knew that we needed to focus on facts to get on with our work of instituting a loyalty and dialogue program.

What do customers really want?

We started with brand analysis and brand-building. We asked each other about our impressions of the company, and the answer was clear: old-fashioned, dusty, and not all that dynamic. What do the customers say? We got exactly the same answers. So how do we want to be seen in the future? We wanted to be viewed as a company that was much more than just selling and servicing cars. What are customers really interested in buying from us? The bottom line for customers was "mobility without problems". Then we discovered that our primary brand was the company itself, Andersen & Martini, and not the brands and models of cars we were selling. This was quite unique in the car industry where everything is build around the makes of cars and not the dealers.

We wanted to really know the customers, so we asked them how they felt. The method used to measure and use the collected data can make the difference between winners and losers in any industry. Asking people if they are loyal or satisfied is not enough.

“ Asking people if they are loyal or satisfied is not enough. ”

You have to be able to give them insights into the impact of their replies to the company. Otherwise it will never feel like a win-win situation to the customer. How many times have you participated in a satisfaction survey, and never learned how it turned out? I know that our customers have, because the first time we asked them 70 questions, we followed up with a personal letter to each and everyone of the approximately 30% that responded. We later got feedback telling us that it was the first time they had ever gotten a reply to a survey.

The plug in the bathtub

Thus, the plug in our bathtub turned out to be strengthened communications with our clients. We actually wanted them to feel comfortable and satisfied as customers of Andersen & Martini. We did not just ask if the customers were satisfied; we asked them if they were loyal. The big difference lies in the fact that loyalty is all

about what the customers think they would do in the future. Satisfaction is only based on history. We make business with companies that we feel loyal to. Loyalty can be described as the symbiosis between technical and emotional loyalty.

If you have a good product at a low price, you have good technical loyalty, but if you do not have any interaction with your customers, you only have them until your competition lowers their prices and improves their quality. Collect knowledge about your customers, not just because you want to know something. Do not to collect more than you need. Only collect just enough data

“ Only collect just enough data

”

to make your dialogue and interaction with your partners and customers more relevant. Do it right and you have created a platform on which you can start building your "emotional glue" with them.

Employee bonus programs are tied to loyalty

The results can always be traced back to the customers as well as to the employees. In the sales department at Andersen & Martini, the bonuses are, among other things, dependent on a continuously improving customer loyalty. This becomes exciting when we measure our employee loyalty, and we find that there is a direct link between those two things. The more loyal the co-workers are, the more loyal the customers become.

A note on Market Segmentation

Someone may ask how one can focus on loyalty and new customers. I have a model that actually works.

Segmentation should not only be based on how important a customer is to the company today or the current volume of business, but also how big a potential customer he or she is. You will always have something in your pipeline, and will never lose sight of your future biggest customer when you focus on existing customers.

With this model we created a KAM-team (Key Account Management team) that only concentrates on the biggest customers and most potential customers.

Lifetime value - a vital component

When setting up a long-term customer relationship, establish an understanding of Lifetime Value of that relationship.

“ establish an understanding of Lifetime Value of that relationship.

”

Think about how much experience a customer could have with your company and how many other people he can refer to you, if he sees a whole new perspective of the company. Otherwise you will see every interaction with a customer as a new one.

Earlier, as a member of a Loyalty Lab's advisory board, I helped build and calculate LTV (Life Time Value) projections. This calculation showed that by working with their most loyal customers, they would gain a three digit mio. Euro increase in their bottom line. This became the basis for a budget allocation for the loyalty strategy we had been working on in the company.

I could go on and on with this discussion, and probably will, since I am writing a book on customer loyalty. In the meantime, I want to thank you for reading this article. If you are interested in any of the topics I described in this article, and would like to know more, you are welcome to contact me at pw@a-m.dk.

And remember...

You only have your customers because nobody has given them a better offer - yet !



About the author:

Peter Winther is the Sales and Marketing Director at Denmark's largest car dealership, Andersen & Martini A/S.

Mr. Winther is a specialist in loyalty management, CRM, Direct Marketing, TQM. He is also a frequent speaker, an ECHO judge, and has been nominated three times to the Danish DM Award.

Contact **Peter Winther** at pw@a-m.dk or visit Andersen & Martini's **website**: www.a-m.dk

Peter Winther

[Read More >>](#)

Related Articles:

- [The concept of LTV](#)
- [Inspiration: A moving customer experience](#)
- [Experiential marketing growing](#)
- [Why customer satisfaction matters](#)
- [The role of marketing in the experience economy](#)

Articles by this Author:

- [Loyal behavior reflects on ROI](#)
[View all articles by this author](#)

[Close Window](#)