



In this article Leigh Darby, Executive Director at TSANet Europe takes a detailed look at customer loyalty and how our perception of loyalty has changed since the late nineties, when customer loyalty programmes were particularly in vogue and nearly every large business had some kind of new loyalty scheme launching. The article explains in detail how customer support, support interactions and incident resolution continue to have a direct impact on customer loyalty and a customer's willingness to evangelise or recommend to others.

*"Do what you do so well that they will want to see it again and bring their friends."* Walt Disney

In late 1991 the telegraph industry's life was taken suddenly and brutally by the 'fax'. For more than 150 years the telegram stood for immediacy and importance, it was an icon for urgency but back in 1991 Western Union had to close down its telegraph service around the world. Less than a decade later the fax was being superseded by the Internet and email.

The transition from telegram to fax to email represents a paradigm shift of epic proportions and the way that we do business today in comparison to the past has changed beyond recognition as a result. Gone is the dominance of mass production, mass media and mass marketing which have now been replaced by a much more economic way of doing business - with even more emphasis on growth and delivering shareholder value.

## The Next Best Thing

At the time when the Internet was at its most hyped - during the Dot.com era, a new concept of 1:1 marketing and customer personalisation was born. The 1:1 marketer was not trying to sell a single product to as many customers as possible (i.e. mass marketing). Instead he or she was trying to sell a single customer as many products as possible - over a long period of time and across multiple product lines. 1:1 marketing became the new focus for many large companies and Customer Relationship Management (CRM) was the latest buzz word on every ones lips, as many technology vendors launched a host of CRM products into the marketplace. At the same time, the consumer was being bombarded with new fashionable loyalty cards and journalists were plugging a '1:1 future'.

Today, the drive towards 1:1 marketing has settled down into a more pragmatic approach. Companies understand the value of marketing well to customers and prospects to deliver new sales. However, most large companies still face the challenge of profitable growth. Shareholders demand it and the capital markets expect it, yet few companies deliver on even modest long-term goals. Growth typically comes from two areas - current customers continuing to do business with you and the acquisition of new customers. It is therefore no wonder that customer retention and acquisition are prominently emphasised.

And yet while much has been written about how focusing on customers will enable a company to grow and prosper, precious little has been written about how organisations can put this grand theory into practice. If you are a global company with thousands of employees, how do you focus your workforce on what is most important to the customer? What type of business processes do you need to build a customer-centric company that injects the importance of customer centricity into the corporate culture?



## Customer Retention Versus Customer Acquisition

According to customer loyalty expert, Fred Reichheld, Bain & Company: *“Just a 5% increase in customer retention, can boost profits by as much as 125%.”* However, no matter what your business is you are probably overspending on customer acquisition and underspending on customer retention. The question is how can you change this and put more emphasis on customer retention?

Customer retention implies customer satisfaction. Retaining satisfied customers is one of the cheapest ways to improve profits and grow the business. The accepted wisdom is that existing customers are between five and ten times more profitable than new customers. This is largely due to the decreasing cost of sale and increasing account efficiency. So pound for pound, euro for euro, money spent on creating a happy customer generates 20 times more business through referral than advertising. Therefore, whoever your customers are, you need to know whether they are likely to refer you to others and come back for more - and why. Ultimately your customers must be positively promoting your company rather than being indifferent or worse case being negative.

## Turning Detractors into Promoters - Service & Support's Vital Role

Customer loyalty is inextricably linked with customer satisfaction which in turn is synonymous with customer support. The quality of your support interactions will have a direct correlation with how loyal customers feel about your organisation. And narrowing this down even further, incident satisfaction is seen as a leading indicator of customer loyalty. How well and how quickly you resolve an issue is of utmost importance for the customer. Indeed the influence of support performance extends right to Board level and executive loyalty within customer organisations. Customer satisfaction is therefore linked to the operational performance of a company which is linked to the overall support experience which is linked to customer loyalty and the economic performance of an organisation.

*Source: Satmetrix / Martin Green*



As you will see from the diagram loyalty is built through the overall customer experience and this is derived through the satisfaction with various touch points within the organisation. In fact many companies believe that the support interaction and experience is just as important as product development. But we do need to strike a balance between optimising the customer experience and

ensuring increased service levels and increased customer retention while at the same time managing costs and optimising operational metrics.

Martin Green is Managing Director EMEA region for Satmetrix, a leading provider in Customer Experience Management solutions. He quotes a recent analysis by his firm that showed "...if you increase the overall support experience [satisfaction score] by 3%, this results in a 1% increase in customer loyalty." The overall support experience is most impacted by overall incident satisfaction and engineer professionalism (the speed in which queries are resolved and the helpfulness of support professionals during this process).

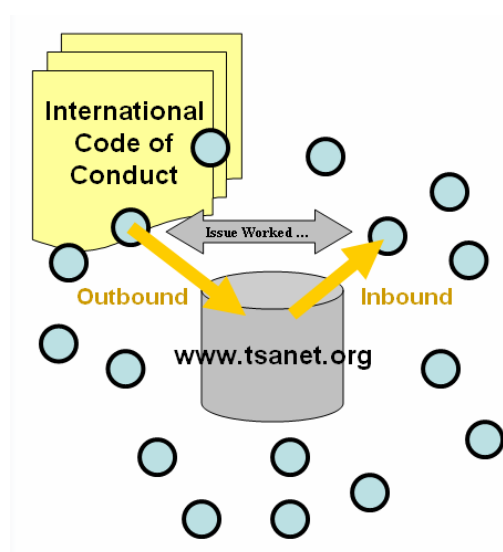
Green states that the key ingredients for linking support and value are as follows:

- ✓ You need to start with demonstratable ROI - i.e. Corporate financial outcomes, not simply service and support profit and loss
- ✓ Access loyalty on an ongoing basis, not just as a one-off exercise
- ✓ Target executives, key decision makers and budget holders within the organisation
- ✓ Include overall relationship (loyalty ) and performance along with key touch points
- ✓ Assess post-incident satisfaction continuously
- ✓ Target direct recipients of support
- ✓ Integrate operational metrics and customer perceptions.

Green advises companies to think about putting in place a methodology and operational process which will harness, measure and improve customer loyalty such as Six Sigma and Net Promoter.

## Fast Resolution of Complex Customer Issues

As technology has become increasingly complex over the years, resolving issues quickly is not so easy when the solution might involve a number of vendors. In order to resolve multi-vendor issues, quickly, involves collaboration and this means having multi vendor service agreements in place. If there are ad hoc, complex or inconsistent service agreements and/or processes it will be hard to support the customer well and establish confidence and loyalty with the vendors brand and services.



The Technical Support Alliance Network (TSANet) has offered vendors a consistent legal and operational framework for nearly 15 years. All Members sign the same International Code of Conduct that describes and ensures that they all strive to work together for the benefit of the mutual customer (*see diagram 1*).

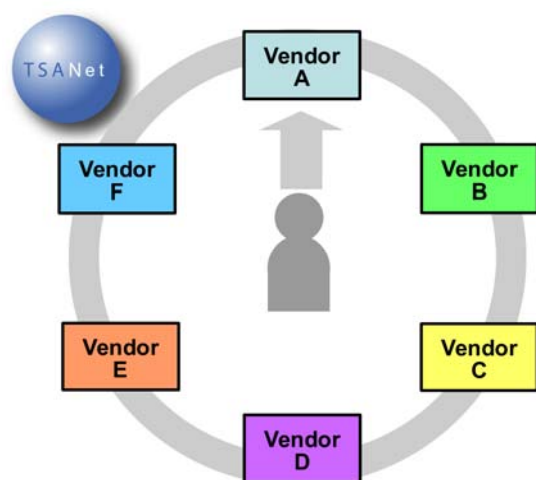
Technical support experts use TSANet as a lookup and directory service to engage others 'outbound' from their support group.

Each member posts contact processes in the secure TSANet database/website so other members can contact them 'inbound'.

Once contact is established, members use the support interactions to identify and resolve the issue or create a workaround to service the mutual customer.

TSANet was set up in 1993 to form this Common Service Agreement, an International Code of Conduct, one document signed by all parties. Since its inception the TSANet model has become the de facto standard in how to offer a 'level playing field' between vendors including those who may ordinarily be competitors.

The same Code of Conduct applies now as it did in 1993. The objective is to ensure customers are not 'bounced' between vendors and that response and resolution times are reduced. Customers can contact any vendor from whom they are entitled to support knowing that their issue will pass between TSANet members (see Diagram 3).



*Figure 3 - Adopting a common set of agreements and sharing support contact processes via TSANet*

The model has been refined and enhanced with time. TSANet members can form and join more specialised relationships with each other based around common agreed response times.

### The Lifelong Customer

As Dr. Edward Denning (one of the founding fathers of modern organisational theory) simply puts it:

“It is not enough to have satisfied customers, the profit comes from returning customers and those who praise your product or service to friends and acquaintances.”

Speedy response and successful resolution of issues has a vital part to play in achieving this aim in IT support. A lifelong customer might be viewed as a grandiose title for this article but at TSANet, we firmly believe that this is the objective that companies should be striving towards. Only by obtaining repeatable business from customers will businesses have any chance of meeting the profits the company and its shareholders must achieve.

A final point to remember: only 1 in 10 companies will achieve sustained growth and over 70% of companies are forecasting profit they will never attain<sup>1</sup>. Grounding statistics - make sure your company is not one of these and think about how you can create better customer loyalty through your service and support department moving forward!

- ends -

<sup>1</sup> Source: Zook, Beyond the Core (2004)