

The Key to Customer Loyalty



First, Break all the Rules... And Here's How

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A funny thing happened along the way to customer loyalty: too many businesses focused only on customer satisfaction and missed the signals about how satisfied customers become loyal customers.

The best businesses take relentless aim at customer *loyalty* and understand customer *satisfaction* as the means to achieve it.

So what should a business focus on – or not focus on – in order to turn satisfied customers into loyal customers? Several recent studies suggest where to look for answers.

First, a study by McKinsey & Company surveyed 27,000 American consumers across more than a dozen industries and looked specifically at the dynamics of customer satisfaction. The study noted two major changes that have altered the customer satisfaction equation for most businesses and consumers. One change is how the sources of information about brands – and the sheer number of retail channels – have all multiplied dramatically in the past decade. The other change is how, at the same time, the proliferation of mobile devices has increased the number, frequency, and types of interactions consumers can have with brands at anytime, anywhere.

These changes enable consumers to interact with businesses and brands at a frequency and in ways that are wildly different than before the recession. It's the digital equivalent of the Big Bang. It also implies that a digital wedge has developed between the consumer and the brand. One result is that businesses need to pay as much attention to how consumers experience their brand *digitally* as they do to how consumers experience the brand *directly*.

That digital Big Bang is also a shift that makes each individual interaction less critical in customer satisfaction and makes the cumulative experience with the retailer *more* important and “more predictive of overall customer satisfaction.”

“What came through clearly in the survey was the importance of a consistent experience,” according to the McKinsey study. “With the number of touch points a customer has with a brand increasing with the proliferation of technologies and channels, the need to create a *consistent* experience is critically important.”

One irony of the “connected age” is that the overwhelming number of ways to interact with a business or brand diminishes somewhat the value of each *individual* interaction yet enhances the value of the *consistency* of every interaction taken together.

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At the same time, there still is a minimum level for meeting customer expectations at each individual encounter that is required – it’s a level that’s expected or assumed by the customer. It’s merely the price of admission for the business.

Exceeding customer expectations will not necessarily increase the likelihood of customer loyalty, either. Businesses long have been taken by the mantra that if satisfying customers is good, then exceeding their expectations must be even better.

Except research doesn’t back up that assumption.

The Corporate Executive Board (CEB) recently looked into the strength of the correlation between the level of service quality and the impact that has on consumer behavior – specifically, customer loyalty. The study’s called, “Blinded by Delight: Why Service Fails and How to Fix It.”

The study looked at more than 97,000 consumers and business customers around the world in the context of those who have had a problem or service issue with a product. Their conclusion? “Those customers whose expectations have been exceeded are no more loyal than those whose expectations have simply been met.”

When it comes to service events or product problems, “most companies underestimate the value of simply meeting customer expectations and overestimate the value of exceeding them,” the CEB study said. “Customers simply want their question answered or their product fixed so they can go back to their lives. They enjoy a delightful experience in the moment but quickly forget it and do not factor it into future decisions.”

That conclusion is counterintuitive for businesses and points to this underlying insight: Consumers often are less interested in being “delighted” than they are in simply wanting their issue resolved quickly, efficiently, and without friction – “frictionless,”* in a word.

One final data point on customer satisfaction.

Over two decades, the Gallup Organization has interviewed more than *one billion* customers, trying to identify what contributes to their satisfaction. Despite all the differences among businesses, industries, and cultures, there are four expectations that remain remarkably consistent. The results are summarized as a section in the book, First, Break All the Rules, by Marcus Buckingham and Curt Coffman.

According to authors Buckingham and Coffman, the four expectations are hierarchical. The lower-level expectations *must be met* before the customer is ready to pay attention to the next higher level.

1. *Accuracy* – If the job is not done correctly, customers don't care how courteous or friendly the employees are. Did the dealership send a service reminder about a vehicle the consumer no longer owns? Did the dealership send a service special on winterizing a vehicle even though the consumer just had that service performed? Is vehicle inventory on the website up to date?
2. *Availability* – Customers don't want to spend more time than necessary to buy a product or receive a service. They want a frictionless* experience that will get them back to their lives sooner rather than later. Can the customer secure the information needed from the dealership's website? Are online service appointments available?
3. *Partnership* – Customers want to feel they are understood and receive personalized services and products. For dealers that means effective customer relationship management. Do dealership personnel have the right information at the right time in order to influence and personalize the customer experience for each individual customer?
4. *Advice* – Customers feel the strongest bond with organizations that help them learn. For dealerships, that's when consumers turn to them for advice on vehicle service and seasonal maintenance, F&I products, accessories, and a replacement vehicle. Are consumers able to find the guidance and information they're looking for on the dealership's website or in the showroom and service department?

And here's the point. The first two expectations are *dissatisfiers*. If you fumble either of these, you also fumble the chance at the higher levels of customer satisfaction – and loyalty.

The second two expectations are the glues that hold together customer satisfaction and customer loyalty – but only if the first two have been handled smoothly, efficiently, and consistently.

Businesses that are able to consistently provide services that satisfy customers on all four levels are more likely to create *loyal* customers; customers who will become fans and advocates. They will promote the businesses by “word of mouth.” And today, that old-fashioned channel – word of mouth – is amplified virtually beyond comparison by social media.



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So what are the takeaways for dealers?

First, focus on the customer journey.

In today's always on, always connected digital world, what the best companies are finding is that customer satisfaction that leads to customer loyalty is more about the customer journey than it is about specific episodes.

Every investment in people, processes, and technology should focus on the singular goal of improving the consistency of the end-to-end customer experience at every touch point with the dealership. Dealers should walk a day in customers' shoes and experience every part of the dealership through their eyes.

Since much of that journey is digital or through third parties, dealers need to pay special attention to the dealership's brand and the customer experience online. Does the digital experience closely match the one in person?

Second, deliver a frictionless* customer experience.

Exceeding customer expectations in many situations creates no more loyalty than simply meeting expectations. Engineer your dealership processes and technologies to meet the expectations of consumers smoothly, efficiently, and without friction throughout the customer journey. Focus on the most efficient – and “effortless” – way for customers to have those interactions, beginning with improving the weakest areas where customers experience the most friction.

Third, start from the beginning.

If you can't accommodate customers with accurate and available information and services, the hurdle to loyalty is already too high. Adopt the technologies and processes that enable the dealership to deliver customer information accurately and efficiently from the dealership's customer database to every department – at employees' fingertips – so that the dealership's employees can respond consistently, accurately, and in a personalized way to the customer, whether on the phone or standing in the showroom or service drive.

Customer satisfaction will always be a race without a finish line. But running a smarter race can accelerate transforming customer satisfaction into customer loyalty.

*Frictionless: How would your dealership rate?

Friction has to do with halting forward motion, resistance between two forces, or making it more difficult to get to the conclusion or end point. A “frictionless” customer experience is the opposite – and one of the more critical benchmarks for dealerships.

For a dealership’s customers, that means not having to enter information multiple times on the dealership website; it means customers not repeating several times to different people why they are calling the dealership or service department. It’s also the difference between a customer being helped by dealership personnel who know why the customer is there and know something about the customer as an individual, compared to a dealership employee who does not.

In the F&I office, does the consumer view the process as an obstacle to getting to the new vehicle or a way to facilitate getting to the end point – driving off in the vehicle? Can the dealership ensure an error-free process or is there a likelihood that the customer will have to come back into the dealership because a disclosure or signature was missed?

In service, how easy is it for consumers to make an appointment online or over the phone? Does the service advisor use technology to recognize the customer when the car arrives in the service drive? Is the customer staring at the back of a computer terminal and repeating information the dealership ought to have already?

Those are all examples of points of friction that halt getting through the process and reaching the end point.

Visit www.reyrey.com/whitepapers to read more about how the automotive industry is changing.

Acknowledgements:

“Blinded by Delight: Why Service Fails and How to Fix It,” research paper published by CEB (the Corporate Executive Board), 2014.

Marcus Buckingham and Curt Coffman, *First, Break All the Rules* (Simon & Schuster, 1999).

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