

# The Loyalty Effect: Build and Protect Market Share One Customer at a Time

Keys to Boosting Customer  
Retention and Loyalty

Years ago, business leaders worried that one unhappy customer would tell 13 people of his bad experience. It was likely that those 13 people would tell 13 people, and those 13 would tell another 13 and so on. The bad experience story could spread like wildfire. Today, the stat remains nearly the same—but thanks to social media, the number who know of the bad experience is exponentially greater and the speed at which the story spreads is almost instantaneous. The first 13 could easily be 1,000 or more people who tell another 1,000 or more people.

In any market or economy, the ability to build a satisfied and loyal base of customers is essential to growing market share and achieving revenue goals. According to the White House Office of Consumer Affairs, attracting one new customer costs at least five times as much as retaining an existing one. Delivering consistent and positive customer service experiences is key to cultivating loyalty and retaining customers. In fact, recent studies indicate that even in a negative economy, customer experience is a high priority for consumers. In 2010, a Harris Interactive report revealed 60% of consumers will pay more to have a better experience with a company.

**CASE STUDY:** Clothing and shoe retailer Zappos routinely demonstrates exemplary customer service. It's ingrained in the organization's culture. Zappos' website features pages and pages of customer feedback similar to this comment from customer Patrick J., who wrote in May 2012:

"I wanted to write a quick email to tell you about my first experience with Zappos. I ordered a pair of board shorts for an upcoming trip, and by upcoming I mean this coming weekend. I mistakenly ordered the wrong size, my fault... I planned to send them back and exchange for a different size but did not expect to have them by my trip this weekend; HOWEVER, the person I chatted with was able to send my correct size on good faith that I will return the wrong size within 2 weeks. I will have my correct size, by Wednesday, and will be able to show them off at the beach on my upcoming trip! Thanks so much. I am a first time user, and plan to be a return user just due to this."

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As far as most consumers are concerned, Zappos stellar customer service seems to be the exception. A 2012 study on global customer service conducted by Echo Research for American Express found that more than 60% of consumers in most markets believe companies are paying less attention to customer service or have not changed their

attitudes toward customer service in the current economy. The study also states that on average, two in five consumers did not complete an intended purchase because of poor customer service.

In today's competitive, online and global economy, consumers have options—plenty of options—and negative customer service can be lethal to a business. However, organizations can create better experiences for customers and increase customer loyalty by staffing customer-facing positions with employees who demonstrate:

- Knowledge
- Communication
- Attitude, and
- Adaptability

### Knowledge

Answers and solutions. That's really all that people seek when they interact with customer service and support staff. It should not be a surprise how essential knowledge is to gaining customer trust.

As basic as this sounds, the reality is that many customer service employees never actually use their company's products or services and simply memorize scripted responses to common questions and complaints. If the customer has a question or problem outside this limited knowledge base, the employee has no firsthand experience to draw upon and cannot provide answers and solutions. Employees who know the product or service, understand the question or problem from the customer's perspective, and instill confidence and trust with solutions will meet the customer's need and cultivate loyalty.

**CASE STUDY:** Award-winning customer service has become synonymous with Apple, Inc. Their frontline employees are known for their knowledge and the personalized attention they provide to their customers in their stores, on the phone or online. Customers are willing to wait for the one-on-one session they'll have with one of Apple's tech wizards. The company has a loyal following and those buyers understand that Apple's service desk is a perk; it's not simply a place to lodge complaints.

In MSN Money magazine's 2012 Customer Service Hall of Fame, Apple ranked #3 (up from #7 in 2011.) By consistently emphasizing customer service and providing access to experts, the company develops relationships with its customers. Apple's employees are building a rapport with the buyers of their products. And that rapport leads to loyalty to the Apple brand.



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"Customer loyalty is, in most cases, worth 10 times the price of a single purchase," says Ruby Newell-Legner, author of *Understanding Customers*.



Well-trained customer service reps and sales associates have the confidence to put unhappy customers at ease and guide the conversation to resolution. The best frontline employees have demonstrated their knowledge through hands-on testing and demonstration before ever speaking with a customer. A customer experience study by Peppers & Rogers Group shows that 62% of the companies surveyed provide effective tools and training to gain trust with their customers.

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In 2012, an Economist Intelligence Unit study reported 40% of surveyed companies were not investing enough in training to improve employees' language and communication skills.

### Communication

Even when employees are well-trained and knowledgeable, delivering answers and solutions can be challenging in a multicultural and global marketplace. While knowledge is essential to establishing credibility and trust, being able to communicate effectively is critical to satisfying and retaining customers. It has been said that poor communication is likely the root cause of 80% of complaints received by an organization, either with the customer or within the company itself.

Effective communicators recognize the power of the non-verbal components of communication: tone of the message and body language. Because the verbal element of communication plays a small role in delivering messages, an employee's tone of voice, facial expression, posture or gestures can create a disconnect with a customer, even if the employee's words are factually correct. Organizations in the hospitality industry, in particular, understand the value of a smile while extending a welcoming greeting. Those businesses also recognize that communicating with customers in their native language builds rapport and loyalty.

**A study recently conducted by Harris Interactive shows 86% of consumers quit doing business with a company because of a bad customer experience.**

While non-verbal communication may account for more than 90% of how information and ideas are communicated, body language and gestures alone are NOT enough to bridge language barriers between employees and the customers they serve. The most fundamental part of delivering positive customer service experiences is building a rapport with the customer. The best frontline employees listen attentively and can clearly communicate using words—and a language—the customer can easily understand. In today's multicultural and international business environment, that means basic proficiency in more than one language.

Language skills are the foundation for establishing trust and loyalty with global and domestic customers. By hiring or training employees to speak more than one language, a company signals that it values its multicultural customers and is committed to providing them with the same level of service and support as the rest of the company's customers.



**CASE STUDY:** Multilingual capabilities can quickly translate into increased sales. At Best Buy, language learning through Rosetta Stone was implemented to enhance customer service. Sales associate Timothy Davis completed a Spanish language course so that he could better serve his customers. To determine whether the language learning course was effective, Best Buy created a specific SKU for Davis to scan when he had a sale that was directly related to speaking Spanish with a customer.

"Right off the bat, when I started taking the lessons I noticed my sales in that language were increasing and increasing," Davis said. "Since I've tracked it, I've made my store \$100,000 in the Spanish language I've learned from the training I got from Rosetta Stone."

However, when it comes to customer service, listening plays an equally important role in effective communication. In all languages, listening conveys respect and is the first step to understanding what the customer is saying. Listening requires employees to absorb words and ask the right questions so that the customer knows he or she grasps the issue, respects the customer and is committed to solving the problem. Giving customers a moment to explain a problem or concern allows the employee to gather information, determine a solution and prepare a response. To be able to issue a complaint to a frontline employee who speaks and understands the customer's language removes the biggest obstacle to the communication flow. In fact, multilingualism allows employees to carry on conversations with customers, choosing words and phrases that convey understanding and empathy.

## Attitude

Customer experience isn't limited to the knowledge and communication skills of front-line staff. The employee's attitude plays a significant part in strengthening or damaging an organization's relationship with its customers.

In his book *How to Win Customers and Keep Them for Life*, business author Michael LaBoeuf stated 68% of customers quit doing business with a company because of an attitude of indifference towards the customer by the staff. Tough economic times since then have made consumers more sensitive to being treated fairly. A study recently conducted by Harris Interactive shows 86% of consumers quit doing business with a company because of a bad customer experience.

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## Businesses acknowledge impact of language barriers

In 2012, the Economist Intelligence Unit released a report on the effect of cultural and communication barriers on business. According to the report, at least 25% of all companies surveyed say half of their employees regularly need to speak in a foreign language. In addition, the study shows 55% of the companies responding stated their relationships with clients/customers in overseas markets could benefit from improving cross-border communications.

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An Echo Research report on global customer service shows consumers in the United States, Canada, the United Kingdom, Australia and Japan are most likely to switch to a competitor due to a rude or unresponsive customer service representative.

**CASE STUDY:** Fred Reichheld, a Fellow at the management consultancy firm Bain & Company has shared this example of outstanding customer service at Rackspace Hosting:

“One of my favorite examples of this happened at Rackspace, the managed hosting and cloud computing company. An employee on the phone with a customer during a marathon troubleshooting session heard the customer tell someone in the background that they were getting hungry.”

As she tells it, “So I put them on hold, and I ordered them a pizza. About 30 minutes later we were still on the phone, and there was a knock on their door. I told them to go answer it because it was pizza! They were so excited.”

In a 2012 Forbes interview with CEOs of companies known for exceptional customer service, HMSHost CEO Tom Fricke said customers appreciate attitude and integrity. Dan Hesse, CEO of SprintNextel, said representatives who show empathy and a drive for excellence are the keys to success in customer service.

Within moments of listening to an employee’s tone of voice, a customer can detect sincerity, enthusiasm, empathy, patience, interest, gratitude and respect. The customer can also identify boredom, sarcasm, and disrespect. Taking time to be patient and respectful is likely to make the customer more at ease and open to listening to the employee’s explanation or instructions. Tone of voice also applies to emails and online “chats” with customers.

Even in call centers, body language has an impact on attitude. Reps who sit up straight and smile will feel more self-assured as they take each call. And the improved posture can result in clearer communication as employees are apt to enunciate better. At the front desk of a hotel or the entrance of a restaurant, employees who smile and greet customers are welcoming and put customers at ease.

### **Adaptability**

Taking time to train employees about the cultural and behavioral norms of their customers is vital to providing consistent and exceptional customer service as businesses expand globally and the domestic population continues to become more diverse. Companies must acknowledge diverse cultures and adapt accordingly. Customers expect it.

"Differences in cultural traditions" and "different workplace norms" were seen as the greatest threats to smoothly functioning cross-border relationships, according to a 2012 report by the Economist Intelligence Unit.



Language learning can be a strong foundation to bridging cultures, but cultural sensitivity and etiquette must be introduced and reinforced.

**CASE STUDY:** American Express was ranked #9 in MSN Money's 2012 Customer Service Hall of Fame. "Thinking of service as an investment and not a cost was really a transformational moment," said Tom Sclafani, vice president of public affairs at American Express. "It really is the golden rule. It's about treating people how you want to be treated."

That applies to customer service throughout the world and can lead to satisfied and loyal customers. To a sales associate or customer service rep, cultural diversity may mean changing behaviors:

- Take time to enunciate words and phrases.
- Limit sentences to one idea or question.
- Listen closely and confirm understanding of the issue.
- Showcase culturally acceptable behavior .

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It also means the reps may not be able to "up sell" or "cross-sell" as those practices are frowned upon in some cultures. Culture shifts may also apply to using new technology to communicate with customers.

Responding to customers' direct tweets and scanning the Twittersphere for complaints are a couple reasons why Hilton Worldwide earned a fifth place ranking in MSN Money's 2012 Customer Service Hall of Fame. "Even if they're just complaining, we can take action on that," said Paul Brown, the president of brands and commercial services. "It really transforms their view of us. They say, 'I wasn't even talking to you, I was just talking and you did something about it.'"



## Summary

Across the globe, consumers seek choices—especially options that offer better customer service. Organizations that differentiate themselves from their competition by providing excellent customer service will be successful in gaining customers and customer loyalty. Knowledge, communication skills, attitude and adaptability are the key differentiators.

Today, half of the revenue of the S&P 500 companies comes from outside the U.S. By 2025, the proportion is expected to be two-thirds. Satisfying an increasingly diverse customer base—and boosting customer loyalty—at home and across the globe calls for customer-facing employees who can rise to the challenge of demonstrating knowledge and expertise on their products/service, clearly communicating with customers in multiple languages, demonstrating a positive attitude, and adapting to diverse cultures.