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Prospering in Tough Economic Times through Loyal Customers

Abstract

In severe economic downturns, only a few business leaders have the courage and wisdom to invest in customer loyalty to increase profits instead of reflexively cutting costs to try to maintain falling profit margins. Moreover, the usual research and advice tends to focus on how companies can effectively and efficiently reduce costs in order to survive an economic decline. This study contributes to the literature by offering a fresh look at how best to respond in tough economic times by examining companies who have responded traditionally with cost-cutting strategies versus companies who instead have invested in customer loyalty. We make the unique and contrarian argument that the latter strategy can be the superior business strategy, which underscores the originality of this investigation. Thus, the purpose of this study is to highlight why investing resources in creating and retaining loyal customers is the best strategy for companies to survive and prosper in tough economic conditions while simultaneously gaining longer-run competitive advantage. Based on quantitative and qualitative survey research methodology, the study findings identify and explain key customer loyalty measures, including: *customization for customers, communication interactivity, nurturing of customers, commitment to customers, customer sharing networks, customer focused product assortments, facile exchanges,* *and customer engagement*. Perceptive company executives will measure, benchmark, and regularly compare their performances on these key customer loyalty measures with different customer groups versus their company's past performances, managerial goals, and competitors, then make appropriate adjustments to retain their loyal customers and prosper during tough economic times.

Keywords: Customer Loyalty, Customer Satisfaction, Customer Relationship Management
JEL: M30, M31

In tough economic times, most companies turn almost automatically to cost cutting strategies as they try to maintain profit margins. It takes exceptional management mettle and long-term clear-sightedness to avoid this common managerial reaction which can lead to counterproductive and sometimes disastrous results for the company's future. Often overlooked in the desire to do something fast to stabilize profits is that cost reductions are also likely to reduce product innovation and customer service which leads to dissatisfied and eventually lost customers. When Jim Collins published his best seller in 2001, "Good to Great," he identified only eleven companies as great. Circuit City, the then huge electronics retailer, was one of these companies. Just eight years later, Circuit City announced that it was entering Chapter 7 and closing all 567 stores. What happened? A facile explanation is that Circuit City was simply not able to compete with similar, more efficient stores like Best Buy and online retailers like Amazon. But, more discerning observers know that Circuit City made a classic mistake. In March 2007, Circuit City announced a wave of cost-cutting efforts as it battled other electronic retailers amid an economic downturn and intense competition. Circuit City reduced its costs over the short-run by firing its higher-paid front-line salespeople and replacing them with lower paid, inexperienced workers. A similar faulty strategy decision had been made earlier by Home Depot under then CEO Robert Nardelli. These misguided retailing decisions apparently ignored or didn't appreciate the concomitant reduction in the quality of customer service and the level of customer satisfaction that comes when customers must interact with less knowledgeable, less experienced salespeople. Poorer service quality and lower customer satisfaction caused large numbers of Circuit City and Home Depot customers to leave and patronize competitors providing better service. Home Depot survived but lost substantial competitive ground and many customers to competitors such as Lowes. Only after firing its then senior management team did Home Depot right itself and get back to emphasizing customer service over cost cutting. So, what should executives have learned about competitive strategy in a depressed economy? Perhaps, that the critical difference between businesses that thrive, merely survive, or die in tough economic times is how successful they are in continuing to attract and retain loyal customers.

Investing in Customer Loyalty

Following the dotcom bubble in 2000, most companies focused on the short-run by hunkering down, reducing their spending, and trying to find as many ways as possible to reduce costs. Under the leadership of CEO Steve Jobs, however, Apple ramped up research and development to develop groundbreaking new products like the iPhone, iPod, iTunes, and iPad, while also spinning out uniquely designed, more reliable computer desktop and laptops, and building off-line Apple retail stores. Jobs was an exceptional business leader – one who kept his focus on the long-run by developing great products and superior customer service that delighted customers while more traditional CEOs focused on cost-cutting and maintaining short-run profits during tough economic times. Largely due to the visionary genius and contrarian strategies employed by Jobs during an economic downturn, Apple became the most valuable company in the world, with its stock rising to more than half a trillion dollars [Goldman and Cowley, 2012].

But, audacious and visionary business leaders like Steve Jobs are extremely rare, so what can more ordinary business managers do to respond to tough times? Well, let's take a look at what Apple did about customer loyalty. Apple is considered an innovator in many aspects of customer service and store design. While developing brilliant new products, Apple simultaneously invested in excellent service online and at its offline retail stores where customers could try out the new products in a comfortable store environment and have all their questions answered by each Apple store's *Genius Bar* service. With their airy interiors and attractive lighting, Apple's stores project a stimulating but casual atmosphere which may help explain why more people visit Apple's 326 stores in a single quarter than the 60 million who annually visit Walt Disney's four biggest theme parks. Apple employees receive no sales commissions and are not assigned sales quotas, so their primary focus stays on customer needs. Apple sales associates are taught a customer--satisfaction sales philosophy: not to sell, but rather to help customers solve problems. One Apple store employee training manual says: "Your job is to understand all of your customers' needs—some of which they may not even realize they have." Another Apple store training manual states: "Approach customers with a personalized warm welcome," "Probe politely to understand all the customer's needs," "Present a solution for the customer to take home today," "Listen for and resolve any issues or concerns," and "End with a fond farewell and an invitation to return."

Investing in customer relationships offers a bigger potential payoff by far over most any new investments in plants, equipment or products. Many products are here today, gone tomorrow as the lifecycle for most products rapidly shortens. Beyond their increasingly short lives, products in any given category often are so similar that customers perceive them as virtually undifferentiated commodities, i.e., no significant differences among them. Trying to sustain a competitive advantage by new product improvements in today's marketplace is a frustrating game. Short-term leads are eroded quickly by imitation or superior technology. Therefore, it's important to redefine the arena of competitive advantage beyond products and their positioning to the customer experience. The real competition in today's business world is in providing fully satisfying customer experiences that encourage long-term relationships and customer loyalty.

Why is Customer Loyalty So Important?

One of the most fundamental tenets of savvy business management is to attract and retain profitable loyal customers. Compared to average customers, loyal customers buy more, are less costly to serve because they are higher up on the learning curve with your company, more willing to go upscale and pay premium prices, more receptive to buying brand extensions and new products, more forgiving when problems occur, most likely to refer other people to your business, more resistant to competitors' offers, and the highest contributors to your company's bottom-line profits.

Profits can be increased by either reducing costs or by increasing revenues, and loyal customer can do both for your business. On the cost side, studies consistently show that it is five to six times more expensive to attract new customers than to keep present ones [Fenn, 2010]. This ratio holds up whether the business is online or offline. The Boston Consulting Group found that it costs about $7 to sell to a current customer via the Web versus $34 to win a new customer – or roughly five times as much – the same as for brick-and mortar businesses. From the revenue side, studies have consistently shown that loyal customers, over their lifetimes, can contribute up to ten times more income and profits than average customers [Reichheld, Markety, and Hopton, 2000].

For most companies, profitable customers comprise approximately 20 percent of a company's customers, break-even customers around 60 percent, and unprofitable customers about 20 percent [Keningham, Aksoy, Buoye, and Williams, 2009]. A small increase in loyalty often can make a dramatic difference in company profits [Reichheld, Markety, and Hopton, 2000].

Is Customer Loyalty Vanishing?

"The customer is king" has long been a mantra given at least lip service by most business executives. But with the commercial omnipresent of the Internet, customers seem to have ascended to the throne and customer loyalty is harder than ever to achieve. Shoppers, whether consumers or businesses, now enjoy instant access to real-time information on competitive offers, fast transactions with best offers presented upfront, minimal switching costs in moving from one seller to another, an ability to walk away from a sale at any time, no physical barriers of store distance or location, no limitation on store hours, and the ability on some sites to initiate an offer to buy at a set price (e.g., priceline.com or ebay.com) instead of merely responding to an e-retailer's offer. Also, online shoppers are not so influenced by the unique atmospherics – elaborate store fronts, intriguing displays, clever lighting, soothing music, pleasant smells, or eye-catching color – common in offline stores because the websites for Bloomingdales, Procter & Gamble, Wal-Mart, or Cindy's Candy Shop may look quite similar in quality. Table 1 shows how customers have gained power since the arrival of the Internet and e-commerce.

TABLE 1. Shift of power to customers

Traditional Offline Businesses	Online Businesses
Static, dated information	Dynamic "real time" information
Many place, time, and space barriers	No place, time, or space barriers
Few customer alliances or communities	Many customer alliances and communities
Few customized products	Many customized products
Limited selection of products	Large selection or products
Low price sensitivity	High price sensitivity
Limited access to competitive offerings	Instant access to competitors offerings
High switching costs	Low switching costs
Seller initiates the offer	Customer may initiate the offer
Slow negotiations	Fast negotiations
Hard to get away from salesperson	Easy to click away from a sales pitch

Despite the empowerment of customers, companies like Apple and Amazon have proven that customer loyalty has not vanished but it's become more difficult to achieve and maintain. Only a few years ago, Blackberry cell phones were so ubiquitous and additive that some users jokingly called them their "Crackberries." Today, Research in Motion (RIM), maker of the Blackberry line of phones, has fallen far behind many of its competitors and no longer enjoys its former huge base of loyal customers – many of whom have now moved to "smart phones" made by Apple, Samsung, and others. Customer loyalty has not vanished, but it does seem more fleeting than ever and more difficult to maintain.

What is Customer Loyalty?

Some companies think customer loyalty is simply an observable, behavior concept, i.e., the pattern of repeat purchases by a customer. According to this behavioral approach, if identifiable customers are continuing to buy, then they are assumed to be loyal to that product or company. However, this approach is somewhat like looking backward out the rear window of your car while trying to drive forward. Tracking past purchasing behavior does not predict future customer loyalty. A simplistic past behavior view of customer loyalty does not explain why so many customers abruptly – without warning – stop purchasing a particular product brand or cease buying from a company even after a long history of prior purchases. Kurtz, [2009] reports a consistent research finding that 60 to 80 percent of defecting customers describe themselves as "satisfied" or "very satisfied" just before they leave. On average, companies tend to lose between 10 and 30 percent of their apparently "loyal" customers every year. So, it's obvious that something more than past buying behavior determines customer loyalty. In response to the criticisms of the simple behavior approach to understanding loyalty, many researchers conclude that both attitudinal and behavior dimensions need to be considered in measuring or predicting customer loyalty. Reinartz and Kumar, [2002] found that grocery customers who scored high on both behavioral and attitudinal measures of loyalty generated 120 percent more profit than those whose loyalty was observed through purchase behavior alone. In business-to-business settings, customers who expressed loyalty in both attitude and behavior were 50 percent more profitable than those who exhibited loyalty only through their transactions.

Customer Satisfaction and Loyalty

Many companies have focused on achieving higher levels of customer satisfaction as a means of developing loyal customers. The relationship between satisfaction and loyalty seems intuitive and several researchers have affirmed a positive association between them [Szymanski and Henard, 2001]. However, the relationship between satisfaction and loyalty has been found to vary depending upon the market structure, competitiveness of the industry, and other variables. To achieve customer satisfaction and loyalty, many companies are actively involved in customer relationship management (CRM) but their success has been elusive, perhaps partly because the emphasis has too often been on manipulation of customers instead of satisfying them.

Customer Relationship Management

Annual global spending on CRM runs into many tens of billions of dollar which reflects the perceived importance of improving the "customer experience" as competition intensifies in a challenging economic environment [Burton, 2012]. Some company executives believe that if they can just find the right combination of innovative software and hardware, they can create satisfied, loyal customers. But many senior executives express disappointment with the returns on their CRM investments. A recent study by the Alexander Group (AGI) of forty-eight *Fortune 500* sales and marketing executives found that less than half were achieving their stated CRM objectives of improved revenue growth, sales effectiveness, and customer loyalty. Too often, the CRM initiatives focus primarily on cutting costs instead of improving customer relationships. An executive at a major consultant firm described the situation this way: "CRM has gone from panacea to pariah at many companies where a ton of money has been dumped into bottomless pits of CRM applications with little or no improvement in customer loyalty." If customer satisfaction and CRM technology are not enough to increase customer loyalty, then what will?

What Drives Customer Loyalty?

The high cost of attracting new customers and the difficulty in retaining them make loyal customers highly valuable assets for most businesses. While online shoppers enjoy advantages like broader product lines, ready comparison of vendor offerings, and immediate access to customer reviews of product and services, e-commerce is even more competitive because of price transparency and the presence of rival businesses only a few mouse clicks away, thereby making customer loyalty elusive. Due to the large number of unrelenting competitors online, attracting new customers typically costs 20 to 40 percent more for e-retailers than for traditional brick and mortar stores [Gefen, 2002]. Thus, understanding the key factors that drive satisfaction and loyalty off-line and online markets is crucial for obtaining and retaining profitable online customers.

Blending Bricks and Clicks

The two worlds of bricks and clicks have become so blended that sellers and buyers go back and forth to take advantage of the best features of each. Companies use both online and offline channels to sell, and customers use both to shop and buy. Customer loyalty cannot be achieved effectively by trying to keep customer interactions online distinct and separate from those offline. In fact, most executives today recognize that their "brick-and-mortar" stores and e-commerce websites must blend into new "brick and click" composite stores. In the increasing intense competitive environment of today and tomorrow, the most successful retailers will be those who blend their offline and online stores. Most consumers want to see different products before making a final choice. Some loyal Amazon customers, for example, use the traditional brick-and-mortar stores of competitors, like Best Buy, Target, and Wal-Mart to check out different products before making their final purchases online with Amazon. This use of traditional offline stores as "showrooms" prior to purchasing online presents a serious threat to companies who do not smoothly blend their offline and online stores. Apple recognized this threat earlier on and developed their own showroom offline stores, so that potential customers could try out products before buying them at the same price either at the Apple store or its online website. Shopping at a brick-and-mortar store enables the customer to have a special experience by handling or trying out products, having their questions answered by salespeople, and perhaps sharing the experience with friends. No matter how many pictures on at the website, or how detailed the product description, there is nearly always more guesswork involved when purchasing online than at a brick-and-mortar store. A critical strategy going forward for most retailers is to smoothly blend their brick-and-mortar stores with an online website site to tailor the shopping experience for the customer. Most importantly, retailers must provide full customer satisfaction in the buying experience – pre, during, and post – to create loyal customers. But, how can a retailer – whether online or offline or preferably both – do that?

Customer loyalty measures

Our quantitative and qualitative research reveals several measures that impact customer satisfaction and loyalty. These factors, which seem pertinent to both traditional offline stores and online e-commerce websites, include: customization for customers, communication interactivity, nurturing of customers, commitment to customers, customer sharing networks, customer focused product assortments, facile exchanges, and customer engagement.

Customization for Customers

Customization for a customer is the extent to which a business recognizes and understands a customer then tailors its products, services, and the shopping experience for that particular customer. Customization of product offerings to each individual shopper, whether online or offline, increases the chances that he or she will find something they want to buy. Customization signals high quality customer service by enabling shoppers to quickly focus on products and services they want. By contrast, a large product selection that is not directly relevant or appropriate can irritate shoppers and reduce their satisfaction, often resulting in an early exit from the store or website quickly. If the company is able to tailor choices for their customers appropriately, the result should be higher satisfaction since adaption reduces the time and effort needed to browse through a huge product or service assortment to find precisely what the customers wants. Apple, for example, has had incredible success in its brick-and-mortar stores by controlling how employees interact with customers, and designing every store detail from the photos displayed to the music played in order to optimize the customer experience. As a result, sales per square foot for Apple stores have soared despite tough economic times.

Communication Interactivity

Communication interactivity refers to the level of positive interaction that occurs between a business and its customers. Online or offline stores will not be able to fully satisfy their customers and capture higher market shares unless they dedicate themselves to proactively and constructively interacting with customers better than their competitors do. Recognizing the potential impact of interactivity on customer satisfaction, many conventional retailers have tried to automate this interaction by setting up customer service desks and kiosks in their stores to answer customer questions, convey useful information, and provide purchase options. At Norstrom's, salespeople try to fully understand customer needs and correspond via letter or e-mail with shoppers who have visited the store, especially those who have purchased a product, to thank them, offer suggestions for an upcoming purchase, or alert customers to new products or sales. Communication interactivity by salespeople in offline stores involves telling shoppers about the features of a product, demonstrating how it works, and sharing personal or other customer experiences with the product. The primary purpose of communication interactivity is to substantially increase the amount of information shared with a customer. So, that the salesperson knows what the customer is looking for and helps the customer find it quickly. At websites like Amazon.com, customers also receive recommendations to complimentary products and services as well as previous customer reviews or opinions. This additional relatively objective information helps the shopper choose the exact product desired which enhances their confidence and satisfaction with the shopping experience. Offline, QR (Quick Response) Codes are a type of matrix barcode placed on products or advertisements to supply virtually any kind of data that any shopper with a smart phone can download to access videos, coupons, special promotions, sweepstakes, surveys or whatever else the vendor wants to provide. Real estate agents, auto dealers, property managers and nonprofits are among the early adopters of QR codes to give shoppers virtual tours of homes or automobiles for sale. Brick-and-mortar stores can use QR codes at product display points and in their advertisements to provide shoppers with information that will help facilitate their purchase decisions. An interactive shopping process that provides fully sufficient information to make a purchase decision gives greater perceived freedom of choice to customers and a level of control that foster their feelings of satisfaction and loyalty.

Nurturing of Customers

Nurturing of customers requires a business to recognize and understand its customers, then provide relevant post-purchase information, education, training, and special services for them which should extend the scope and depth of their consumption experiences over time. By gathering data on each customer purchase and inquiry for its data base, vendors can reassure customers that their product preferences are understood and that salespeople will promptly guide them to the products of greatest personal interest. This makes customers feel important which encourages them to come back to make repeat purchases and move toward loyalty. It is important for both online and offline businesses to not only recognize their individual customers but also to reach out to them and help guide their progress smoothly along purchase and re-purchase routes. By providing customers with useful and desired post-purchase information, training, and service, businesses augment customer satisfaction with the full product purchase and experience while lessening the likelihood of additional search at competitors.

Commitment to Customers

Commitment to customers refers to the strength of the ongoing relationships with prospects and customers. It takes into account both the efforts of the company to ensure that there is no breakdown in customer service such as delivery, installation, or repair plus the responsiveness to customer concerns, problems, and complaints. Commitment to customers is demonstrated by promptly resolving any product or service breakdowns and dealing with complaints in a way that is fully satisfactory to the customer. For instance, instead of telling the customer what the company will do in response to a product breakdown or customer complaint, a business committed to satisfaction will ask customers how they would like that problem to be handled or resolved. Sometimes, a higher level of customer commitment will lead to lowest costs as the customer may ask for less than the company might have been willing to do to resolve the problem. Solving customer complaints to their full satisfaction is more critical than ever in this digital age. Prior to the Internet, if a customer was unhappy with a seller, he or she might tell as many as a dozen other people, but today, he or she might go online and complain about the vendor to thousands of people. With the use of social media, the impact of customer complaints can be magnified dramatically. For example, Molly Katchpole, a 22-year-old woman launched an online petition at Change.com railing against Bank of America's proposed debit card fees, then later she set up a petition against Verizon Wireless for trying to charge customers for paying their bills online [Zetlin, 2012]. Over three hundred thousand people joined her complaint petitions and forced Bank of America and Verizon to back off from their fee increases. Even offline, according to an American Express survey, people who use social media (i.e., social media-ites) are more likely to network with others and will tell about fifty-three people directly about their poor experiences with a vendor [Waters, 2012]. Savvy companies continually monitor online complaints and follow-up with many of the most dissatisfied customers to see how their issues with the company might be satisfactorily resolved. Product and service failures that are not resolved promptly and to the full satisfaction of the customer will affect future business because they weaken customer-company bonds and lower perceptions of product and service quality. A dedicated company commitment to ensure product quality and reliable performance, provide timely customer service, and resolve complaints as customers desire should lead to higher customer loyalty.

Customer Sharing Networks

Customer sharing networks are defined by the extent to which customers are provided with the opportunity and ability to share opinions among themselves through comment links, buying circles, chat rooms, or events sponsored by the business. A network or community of customers and prospects who communicate openly among themselves can play a valuable role in enhancing the satisfaction and loyalty of customers. When efficiently and effectively organized to facilitate the exchange of customer opinions and information about its products and services, a network can serve to reinforce positive word of mouth for the company. For example, online shoppers who have ready access to a network of customers of an e-business can obtain opinions and detailed insights from experienced users of products being considered for purchase. Moreover, after purchasing the product and experiencing it themselves, customers can log on to the online network to share their own opinions and insights. Customer sharing networks can also be furthered offline by companies sponsoring various special events for their customers to interact with one another. Customers who share experiences more often than not reinforce each other's purchase decision and provide additional insights on the product's use which may influence prospective customers. Many online and offline shoppers regularly turn to other customers for unbiased opinions, advice, and information regarding products or services that they are considering buying. By facilitating this informational exchange between customers through its network, a business can increase satisfaction among its current and future customers.

Another expected positive impact of a network on satisfaction for businesses is due to identification of individual customers with the group. Identification is one's affiliation or perception of belonging to a group so the person identifies with that group. Harley--Davidson motorcycle customers, who refer to themselves as HOGS (Harley owner group), have such strong identification with the brand and one another that the network acts as a strong deterrent to members buying any other motorcycle or accessory brand. By increasing customer participation and identification through networked communities, businesses should be able to significantly increase customer satisfaction and loyalty.

Customer sharing networks also affect satisfaction because of their effect on social relationships that customers build among themselves around a shared special interest or purchase. This follows from studies that indicate that individuals often seek to develop and further their social relationships through commercial activity. Some consumers partially substitute shopping for recreation and use this activity to develop social bonds. By creating and supporting a sharing network of customers and prospects, a business can provide the opportunity for its customers to interact and develop social relationships that may then translate into higher satisfaction and loyalty towards the business.

Customer Focused Product Assortments

Customer focused product assortments refers to the ability of a business to offer a selection of products and services that its target customers desire. The assortment doesn't necessarily need to be broad. For example, Trader Joe's is a highly successful U.S. grocery retail chain that appeals to its target market of health conscious, higher educated singles and young families by carrying only about 4,000 carefully selected products compared to more than ten times that number of products carried by most supermarkets.

Online, one of the advantages of an e-business over a brick-and-mortar retailer is the ability to virtually display much larger selections of products for immediate purchase. A store in a mall physically displays its assortment of products to shoppers, so it's constrained by such factors as the amount of floor space available and the cost per square foot. An e-business does not have these constraints because its products are not on physical display for shoppers but still can be readily viewed and evaluated online via models, avatars, demonstration videos, or customer reviews. Not only can e-businesses store their products in remote places where space is abundant and cheap, but they also have more capability to form alliances with other suppliers in order to provide customers with virtually unlimited product assortments and relatively seamless service. To illustrate, an online retailer may keep only a limited assortment of a given product category in inventory, but it can align itself with a national or global network of partners who can quickly supply countless varieties of products requested by customers. An increase in choice at the e-business site reduces search costs for the consumer leading to enhanced satisfaction and loyalty. On the other hand, many shoppers want to see the physical product and try it out before buying, so an "offline showroom" is important to many customers.

Facile Exchanges

In order for a customer and seller to make facile exchanges, accessibility of relevant information and simplicity in the transaction process are important. Enabling customers to find information, like product features and prices, easily and conveniently is one of the keys to their satisfaction and loyalty. Exchange ease refers to the extent to which a customer feels that the purchase process is simple, intuitive, and user friendly. A large number of customers who exit an e-business website without purchasing leave frustrated because they were unable to smoothly navigate through the site. Amazon understood this fundamental customer satisfaction concept from the very start of its online business, so its website is easily navigable. A number of factors make a website difficult for shoppers to transact. In some cases, information is not accessible because it is not in a logical place or is buried too deeply in excessive website clutter. In other cases, information is not presented in a meaningful, logical, or intuitive format. Too often, the information needed or desired by shoppers is not even available at the website. Similarly, a brick-and-mortar store that doesn't product information and prices alongside the product display frustrates customers and causes many to just move on without taking time to flag down a salesperson to ask for the desired information. Savvy brick-and-mortar stores provide scanning devices nearby for shoppers to find the price of a product not clearly marked and a convenient customer service desk to answer questions. Also, they make sure that the checkout lines are not long because a customer who feels the wait is too long often will abandon even a filled shopping cart and exit the store. Vendors who make the shopping and buying process easier and more satisfying than competitors will increase the likelihood of those customers making repeat purchases and moving toward loyalty.

Customer Engagement

Customer engagement can be defined as an overall image or personality that the business projects to customers through effective use of offline store displays, layout, lighting, music, and signage, and online website text, style, graphics, colors, logos, slogans, and themes. Highly successful businesses tend to differentiate themselves by developing stores and websites that are pleasing to the eye or mind by presenting attractive, vivid, interesting, and exciting visuals, illustrations, formats, and content throughout the shopping experience – from beginning to end. Striking graphic symbols such as logos can create positive shopper attitudes toward a company depending on a number of factors such as shared associations or meanings. Beyond general presentation and image, e-businesses can utilize unique animated characters, avatars, or personalities to enhance recognition and recall. Too many e-commerce websites seem impersonal, colorless, and bland to visit because of the absence of an intriguing or clever format, graphics, or personality to attract and engage shoppers. On the other hand, sometimes websites can be so bizarrely colored with content text that's hard to read, so customer find it unpleasant to navigate the site and readily leave. Unless a website conveys an exciting or interesting personality that grabs and holds viewer attention and interest, it is unlikely to attract many people or encourage them to continue navigating through the site. Many online shoppers today have a low threshold for boredom, so it is a major competitive advantage for an e-business to be able to immediately attract the attention of shoppers flipping through websites, then fully engage them in a stimulating, pleasing, enjoyable, unique, and satisfying shopping experience. Similarly, offline stores can enhance their customer appeal by their interesting layouts, product displays and demonstrations, use of graphics, and customer service oriented salespeople.

Customers Appreciate Customer Loyalty Efforts

Many customers appreciate and often reciprocate a company or store's investments in the seller-buyer relationship by becoming more loyal [De Wulf, Odekerken-Schroder, and Iacobucci, 2001]. Therefore, it seems that companies ought to invest more in customer relationships to enhance loyalty, especially focusing on those customers who are most responsive to those relationship investments. Company loyalty programs, today, however, are so pervasive and so much alike (comparable merchandise, services, discounts, and distribution channels) that most have little impact on achieving or sustaining customer loyalty. But the opportunity to seize competitive advantage has never been better for companies who substantially increase their investments in true long-run customer relationships by understanding and making skillful use of the unique competitive advantages found in the customer loyalty measures.

What Do Customers Want?

Customers are looking for the highest value for their dollars, efforts, and time. They want to maximize their perceived value from each transaction and over the longer-run, by obtaining the greatest perceived benefits for the least perceived costs. In equation form, their value proposition looks like this: *perceived value proposition = perceived benefits ÷ perceived costs.*

It is the customer's perception of these three variables – value, benefits, and costs – that is critical. Customer perceptions, like beauty and most other human evaluations, lie in the eye of the beholder. Therefore, it is not surprising that most customer perceptions of benefits and costs are not directly measurable in dollars and cents. Customers, consciously or subconsciously, assign a relative priority or importance to each of their desired benefits. One benefit that customers usually give a high priority is potentially long term relationships with sellers they can trust – whether they are looking for a place to buy and repair an automobile, purchase and install a home air conditioning system, or keep their teeth healthy. After customers have made a mental, usually subconscious calculation of the total relative benefits versus the total relative costs associated with purchasing a particular product or service, they form their indivualized overall estimates of value. Unless a business can continue to convince its customers that they are receiving higher perceived value by remaining loyal, they are likely to move on to competitors who promise more value.

Successfully applying the customer loyalty measures requires recognition that there also will be differences in perceived value propositions by customer, industry, product, service and company. Within the various customer loyalty measures, there will be some unique benefits that different customer segments value most. For example, some customers may prefer styling and prestige in some of their product purchases while others put higher value on safety and functionality. So sellers must conduct ongoing research to find out exactly what the value propositions are for their target customers for different product categories. Avis, the second largest rental car company, found that what its most profitable customers value most is maximum speed and ease in picking up and dropping off rental cars. In other words, their value proposition stressed ease of transaction. So, Avis created its Avis Preferred Service for repeat customers. Customers enroll by completing a profile specifying their car and billing preferences. Then, the next time they order a rental car by telephone, fax, or online, they can bypass the lines at the Avis airport check-in counter and head straight to the parking lot to pick up the exact car they prefer. On average, Avis Preferred Service customers save about ten minutes of the usual car rental pickup time.

When it comes to nurturing, Avis provides weather reports, maps to local golf courses, and special rates on bigger cars with large trunks for customers who plan to do some golfing. Counter agents are trained to observe customer situations and anticipate their needs. They stay alert for elderly customers who need assistance with their luggage or to let customers with small children know that Avis has car seats with secure safety latches. Customers have identified stress reduction as another important way for Avis to show care for customers. So Avis established "communication centers" in airports where customers can relax between flights, make a phone call, use a laptop computer to check their e-mail, or chat with some of the community of other Avis customers. With regard to contact interactivity, Avis keeps its customers informed about their flights in the communication centers by prominently displaying flight information. Avis' interactivity is exhibited to customers in oftentimes novel ways. For instance, Avis manager are told to be very visible and wear telephone headsets to reassure customers that Avis is keeping up with the latest communications to pass on to its customers. Each industry, product, or company will need to conduct in-depth research with its customer categories to learn how to best tailor each of the customer loyalty measures to generate maximum loyalty. However, it's not always obvious what customers value most. When UPS asked customers how it could improve its service, customers were not obsessed with on-time delivery as the company had assumed. Instead UPS management was surprised to learn that customers wanted more personal interaction with drivers – the only face-to-face contact any of them had with the company. If drivers were less hurried and more willing to chat for a few minutes, customers could get some practical, personal advice on shipping. In other words, customers wanted more contact interactivity. Now, UPS is encouraging its delivery drivers to get out of their trucks and visit with customers for a few minutes in hopes of bringing in additional sales and keeping customers loyal.

Tracking Customer Loyalty Measures

Progressive company managers will conduct research to accurately measure, benchmark, and regularly compare their performances on key customer loyalty measures with each of their different customer groups versus past performances, managerial goals, and the relative performances of major competitors. By keeping track of how they are doing in terms of critical customer loyalty measures, companies can obtain insights and early warnings that will allow them to adjust their customer relationship strategies and tactics to retain their profitable loyal customers. Companies that are most successful in achieving high customer loyalty levels in the fierce domestic and global competition ahead should prosper.

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