



Winning Hearts & Minds

Loyalty in Action

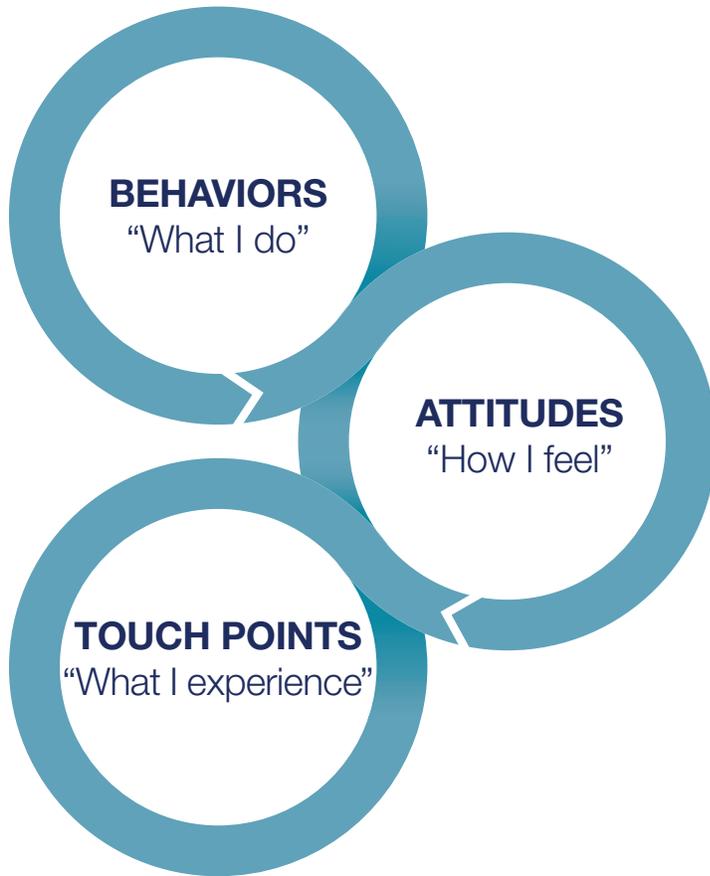
All too often, clients tell us that they have “no problems” with customer loyalty simply because ongoing customer satisfaction surveys tell them their customers are “satisfied.” However, we’ve learned from our experience that mere “satisfaction” cannot be equated with true loyalty. We know that:

- ✓ “Satisfied” customers are not necessarily loyal customers, as our internal research has shown that 60% of defecting customers are likely to describe themselves as “satisfied.”
- ✓ We have established that true customer loyalty is a function of both Attitudes and Behaviors and is often not fully understood via a single measure.
- ✓ Truly loyal customers form connections to the brand that are heartfelt and emotional in nature. These customers tend to form bonds with brands and the individuals who represent them, deriving a sense of satisfaction from that relationship.

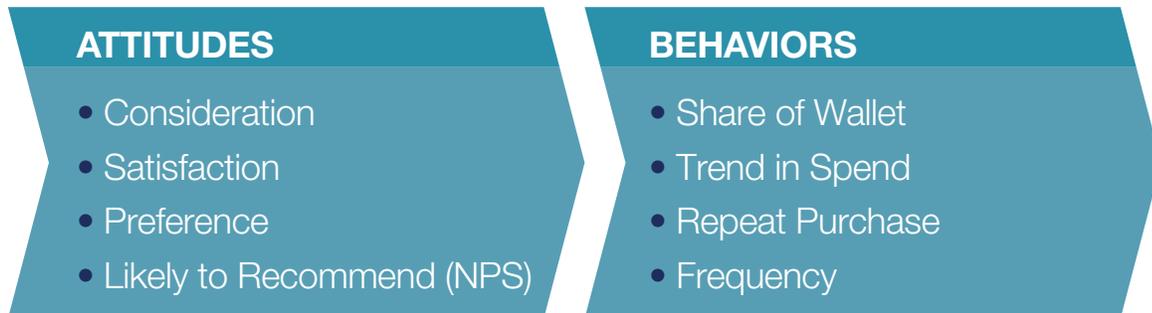


Loyalty is Both Having and Showing Allegiance

Loyalty, as a metric, is a measure of the current state of an individual that summarizes all they have done and felt in a way that best predicts what they will do in the future. Satisfaction reflects customers' attitudes about past company performance. Loyalty is a function of both attitudes and behaviors. These can be impacted by experiences across all of the brand's customer touch points.



In practice, we often measure "loyalty" using a wide variety of metrics. This is partly because overly simplistic views of customer loyalty are unable to provide a complete picture of reality. Customers make decisions in an evolving environment and this shapes their attitudes, spending behaviors and loyalties to a firm over time.



Alignment Between the Brand Message and Customer Experience

Brands often make promises in their messaging, either inherently or overtly. But, do these promises align with the actual customer experience? When they don't, customers may be put off and emotional ties to the brand are weakened. Consistent buying behaviors are likely to erode over time if the actual customer experience with the brand is a let-down. Firms must align their messaging with the actual customer experience to build positive emotion, shape attitudes and garner the desired buying behaviors.



Case Study #1: The U.S. Mobile Phone Market

As a case in point, let's examine some of the current messaging in the U.S. cellular phone marketplace. This makes a fine example as:

- The service is ubiquitous; we use it everyday.
- 95% of U.S. adults have or use an active mobile line.
- The market is saturated — 95% of adults use a cell phone — and the market is largely shared by four major providers that spend billions of dollars in advertising each year.

Since it is such a saturated market, the carriers' essential task in customer acquisition is to undermine loyalty to rivals – and get people to switch carriers. The problem is that so few consumers switch. According to a recent Mintel survey, about 7% of mobile-using adults changed carriers last year, and only 8% say they are considering a switch in the year ahead. The main reason is that mobile phone owners report reasonably high satisfaction rates — about 65% — for their service, and even higher rates (81%) for satisfaction with mobile internet service.

It's most likely that your loyalty to a cell phone service provider is based on price, performance or service. These are all very rational factors, tied to the customer experience. For example, in a recent market survey, when "switchers" reported the reason for the shift, half said it was about price: the new carrier was cheaper. Just over a third wanted more data or better reception. Only a quarter of switchers felt they wanted better customer service. Purportedly, defection was not about emotional factors, it was about practical everyday use reasons.

Nonetheless, in this hyper-competitive market, where over a billion dollars was spent on TV and digital ads for mobile services, carriers are **not** just restricting their ads to practical, price-based offers. There are brand-building efforts underway as well, in ads that emphasize more **emotional, attitudinal factors**.

Logically, network speed should have some correlation to behavioral loyalty. It should present a practical benefit that helps retain customers. But, is it purely a rational factor? Does anyone really know that 4G means 4th Generation service? Could they remember how it compared to earlier 3G technology? Would they know that LTE means "Long Term Evolution" of data transfer protocols? Can consumers truly make an informed, rational choice in this market?

Arguably, ads in the past few years have made counterclaims about network speeds that have so obscured any real truth as to make it impossible for consumers to make completely rational choices. In a world where these claims are hard to verify, the consumer is left with a "believe it or not" emotional choice, largely based on faith. For instance, a cellular provider's recent print ad in the New York subways boasted: **"No One Has Faster 4G LTE in NY."** Right. Because they are all the same!

Essentially, if the consumer cannot rationally understand the differentiation between providers, it becomes a "matter of faith," which is largely **attitudinal**. As a customer, your emotional loyalty takes over, justifying your belief in the provider's claims, even in the absence of rational proof or other evidence.

This type of emotional appeal is evident in some of the newer campaigns currently in the market, where major networks try to differentiate themselves. For example:

- A carrier whose customers represent a gathering of non-traditional, disrupters and iconoclasts with "free choice."
- Via a montage of things that go wrong every day, one carrier presents themselves as a reliever of worry and frustration when making cell calls. By claiming they are "simply better," with virtually no physical proof, this becomes a faith based claim.



"No One Has Faster 4G LTE in NY." Right. Because they are all the same!



Closing Thoughts

- Behaviors alone don't tell the full story about loyalty and engagement.
- While rational factors are important, customer relationships typically contain an emotional, attitudinal component that cannot be overlooked or discounted by marketers.
- The battle for hearts and minds will continue with a multi-pronged approach:
 - ✓ Marketing and operational teams will have to align on the brand promise (the message) and the actual brand experience. Without this, there will always be a degree of disconnect in the minds of customers.
 - ✓ Marketing teams will continue to reinforce the functional, rational aspects of their services that count most to consumers, such as price, reliability and technology.
 - ✓ But, messages will promote themes that generate feelings and emotions about their brand. Naturally, they will be designed and targeted according to sector, but it will be more common to see messaging with components such as: individuality, youthfulness, consistency/dependability and social connectivity, among others.
- Emotional appeals are meant to impact attitudinal loyalty, and are drivers that help to differentiate between brands that are functionally more similar than different.

Hearts and minds must be **jointly won**
in order to **ensure success!**

