

Customer loyalty and the quality professional

Mark Eydman, CQP MCQI, explains how companies can use the Net Promoter Score to build strong customer relationships, and withstand major disruptions such as Brexit and changes in political leadership

While the intention to encourage repeat custom dates back to the very first commercial interactions, formal structures around customer loyalty most probably began with premium marketing in the late 18th century, when American retailers gave copper tokens to customers making a purchase. The tokens could be redeemed against future purchases. Some 200 years later, it is now difficult to find organisations that do not claim customer satisfaction or loyalty to be their number one priority, but what does this mean and why should it be of interest to quality professionals?

What is loyalty?

Many models are available in this area, aiming to provide clarity and structure. Several of these suggest that loyalty is a behaviour exhibited by customers, built upon the feeling of satisfaction that accumulates through interactions or touchpoints over time. While this description may be attractive, it does not address adequately the nuances of a more complex situation. Frequently, customers continue to make purchases not through loyalty, but through other drivers such as:

- an existing contractual arrangement with your company
- inertia – it may take too much effort or money to change suppliers
- your status as a low-cost provider
- their relationship with one of your employees and not with your company
- they may be in the process of finding an alternative supplier.

A more compelling definition that addresses these weaknesses may be that

loyalty exists where a customer continues to believe that your organisation's product or service offer is their best option.

As quality professionals, we need to ask ourselves where we fit into this scenario and where we can find support both from our professional body and from key standards, including ISO 9001:2015, which lists 'customer focus' as the first of seven quality management principles.

The CQI says quality is about making organisations perform for their stakeholders – from improving products, services, systems and processes, to making sure that the whole organisation is fit and effective. It states that customers are the most important group of stakeholders for most businesses. Of course, in any business everyone is responsible for customer loyalty – but not everyone can have the skills, training and experience to drive excellence.

However, these attributes are present in quality professionals who are dedicated to protecting and strengthening their organisation's reputation, and ensuring that current and future customer needs are met or exceeded.

Net Promoter explained

So how does a quality professional practically proceed in order to understand the loyalty profile of existing customers, determine the drivers of that loyalty and then make improvements aligned with those drivers?

Various frameworks exist to support this process but one which has gained prominence is the concept of 'Net Promoter', as explained by Fred Reichheld

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and Rob Markey in their book, *The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World*. Today, the tool is deployed successfully in thousands of organisations around the world.

The system uses an insightful question to help position customers within three behavioural groups. While subject to slight variation depending on the specific context, research has shown the following format to be the most effective as the ultimate question: 'On a scale of 0-10, how likely are you to recommend "Company X" to your friends and colleagues?'

'Promoters', those scoring nine or 10, are loyal enthusiasts who actively purchase and encourage others to do the same. 'Passives', those scoring seven or eight, are satisfied but unenthusiastic and easily wooed by competitors. 'Detractors', those scoring six or less, are unhappy and feeling trapped in a bad relationship.

The typical customer loyalty KPI or Net Promoter Score (NPS) is formed from

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Extremely likely

Neutral

Not at all likely

subtracting the percentage of detractors from the percentage of promoters, giving a range of -100 per cent to +100 per cent. The concept is that simple. The trick is in asking the question in the best way, to provide timely, reliable and actionable data; undertaking robust analysis to learn why the customer feels as they do; and taking action to create more promoters and reduce the number of detractors.

Getting the right information

As with any process, there are pitfalls to avoid and good practices to be followed. Here are a few things to consider:

- 1. **Get the question right:** While small variations may be required (eg friends and colleagues may not be appropriate for your customer relationship), keep core components such as the 0-10 scale and focus on recommendation.
- 2. **Most surveys are too long:** Ask the ultimate question and very little else other than a follow-up of: ‘Why did you give that score?’ Also, asking for possible improvements can be helpful, but after that the survey becomes too complex and wastes customers’ time.
- 3. **Use the right language:** Structure the questions in terms that your customers will understand, not in the language of the researcher.
- 4. **Ask the right customers:** This does not imply gaming but simply questions whether you currently have accurate information on real and appropriate contacts within your target organisations.
- 5. **Get the format right:** Email may be low cost and suited to B2C applications, but is not always appropriate for B2B relationships where it may signal the value, or lack of it, that you place on the relationship. Phone surveys can be

an effective way to secure high response rates in targeted deployments.

- 6. **Avoid anonymous surveys and close the loop quickly:** When a customer expresses dissatisfaction, be sure to respond quickly.
- 7. **‘Gamesmanship’:** Be alert to those causes and methods that exist in the ways there are to subvert the survey process and influence results.
- 8. **Improvement action:** Without appropriate and robust improvements based on customer feedback the overall process has not been completed, and may only serve to magnify negative experiences.
- 9. **Secure the benefit:** Deserved customer loyalty is never to be abused, but loyal customers are highly likely to consider your broader company offer, give honest and open feedback on issues of interest and recommend you to other potential customers. Ensure that it is easy for this to happen.

Of these considerations, most can be addressed by ensuring the appropriate training of those involved with Net Promoter certification. However, practical experience suggests that the completion of required improvement activity, and ensuring that these improvements become both systemic and embedded, can be particularly challenging.

Much has been written in this regard, with many books and texts available, such as *The 4 Disciplines of Execution: Achieving Your Wildly Important Goals*, by Chris McChesney, Sean Covey and Jim Huling.

The quality approach

Within the team effort required to design, deploy and operate an effective customer loyalty programme, quality professionals are positioned, perhaps uniquely, to take the lead.

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Not only is the consideration of key stakeholders an implicit part of their organisational mandate, but operational independence as well as a toolkit of key analysis and improvement methods also supports success.

Simple quality tools such as check sheets or the Pareto principle can clarify themes within customer comments, while others such as cause and effect diagrams can assist with the analysis when determining required improvements.

ISO 9001:2015 is central to the quality professional’s approach. With customer focus established as a key quality management principle, what other scaffolding exists? Examples include:

- **The process approach**, which is founded on an understanding of requirements and processes to ensure that they are achieved effectively. Alignment with the insight gained from loyalty surveys and the imperative to act on those requirements for improvement is clear.
- At the heart of the **plan, do, check, act (PDCA) cycle** are customer requirements and the satisfaction achieved as an output of the quality

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Illustration by Richard Osley

management system (QMS). Thus, an effective customer loyalty programme provides both PDCA inputs and outputs.

- **ISO 9001:2015** provides clarity regarding the need for top management engagement in customer satisfaction.
- **NPS** provides an ideal metric in support of quality objectives.
- **Processes** deployed to address nonconformity are ideally suited to address issues raised by detractors or concerns from other behavioural groups.

With customer loyalty and quality so intertwined, numerous companies are commonly quoted as NPS advocates and examples of success. Lego, Philips, Qantas and Schneider Electric are amongst those describing how the approach has engaged leaders, determined improvement priorities and underpinned commercial success.

Zappos, early adopters of selling shoes online, provide a great example of systems built with the very highest standards of service designed to drive customer loyalty. With every item available for sale already in place within a physical warehouse and a relentless pursuit of consistency in order execution, the Zappos brand provides a platform for other product categories far in advance of the original shoe offer.

At a more local level, there is a personal and specific success. In a project undertaken in the UK as part of a Six Sigma deployment, a Net Promoter format was used to gain feedback from the customers of a building automation project business. Dissatisfaction, where present, was found to be due largely to failings in communication, especially in projects behind time and/or cost pressure. Review of the applicable parts of the QMS found little guidance or direction in this regard, so key updates were made and supported by the training of associated staff.

In a later survey, promoters were found to have increased from 23 per cent to 45 per cent over a six-month period, with detractors being reduced from 10 per cent to six per cent. In an organisation heavily dependent on repeat business, this represents a significant achievement.

Try it

After finishing this article, try this simple three-part activity:

1. Write down the names of your most important contacts at your most important customer businesses.
2. Against each name make an informed guess as to how they would answer the ultimate question: 'On a scale of 0-10, how likely are you to recommend "Company X" to your friends and colleagues?'
3. Decide what you need to do next and if you feel that you don't really know how they would answer, perhaps you should find out.

Perfect storm

In this article, we have chosen to celebrate the positive effects of considering and building customer loyalty, but what about when things go wrong? Over the past 12 months, much press coverage has been devoted to the changing strategy of British Airways (BA), with a slow erosion of valued customer benefits in pursuit of a response to low-cost carriers. The most recent of these changes saw the end of much-loved free meals and snacks on short-haul flights. While survey data for this period is not yet available, it is likely that the detractor population will have increased through an erosion of satisfaction drivers.

As a profession, we find ourselves ideally placed to become more proactive and strategic

One typical behaviour of detractor verses passives or promoters is far less tolerance on those occasions when things go wrong. Combined with BA's recent and much-publicised IT failures, we see a perfect storm of dissatisfaction and events leading to an initial four per cent reduction in share price. Ignore customer loyalty at your peril.

As quality professionals and customer loyalty advocates, where does this leave us? In a commercial environment seemingly gaining in complexity, competition and uncertainty at an accelerating rate, knowledge of loyalty drivers, as well as a core ability to drive sustainable improvements in response to any changes to these drivers, is likely to be a source of competitive advantage.

As a profession, we find ourselves ideally placed to become more proactive and strategic, which can only be advantageous to our employers and us, both individually and collectively.

Major disruptions such as Brexit and changes in political leadership around the globe will present threats and opportunities, and those with the strongest customer relationships will be the ones best placed to succeed. ■

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