



## **Achieving a true competitive advantage and securing reliable profitability**

In today's competitive and challenging environment, companies are looking at the markets they serve with greater focus and concern than ever before. The obstacles to success may seem greater than ever; Customers are pushing decisions off into the future, there can be challenges getting transactions financed, competition is intensified etc. However, despite these heightened challenges, the degree to which your company succeeds is still largely in your hands.

Your experience tells you that you can't grow your business without customers who are receptive to your company's brand, products and services. Most people translate this to customer satisfaction. You know that if your customers are satisfied you are more likely to retain their future business. However, the problem is how do you *know* that they're happy, or what they're thinking? When is the last time you asked them? Recently? Some time ago? Never?

More importantly, what about your competitors? Are they asking *your* customers if they are satisfied? Are they focussing on customer satisfaction as effectively as you, while publicizing that their customer base has the highest level of satisfaction in the industry? It's highly likely, as most organisations gravitate towards 'customer satisfaction' as the 'feel-good' target. But what if you could develop a competitive advantage? What if you adopted a process that could engender a higher level of customer satisfaction in the marketplace than your competitors?...

Business today is all about measuring, anticipating and forecasting. But you can't manage what you can't measure. All too often the most reliable data available to you today is found in lagging indicators. Typically, it's last month's sales figures, a weak forecast or low customer prospecting activity or engagement. Or maybe the big account your company just lost? The problem with lagging indicators is, by the time you have spotted the negative trend, it's too late to fix it. It's critical in today's market that you have timely, forward-looking information that allows you to make course corrections that can impact an outcome. Of course, we're talking about leading indicators here. Perhaps the most important leading indicator you can calibrate is what your customers are thinking about your company. If you can somehow get your customers to tell you what they *really* think, then you have truly powerful information you can act on.

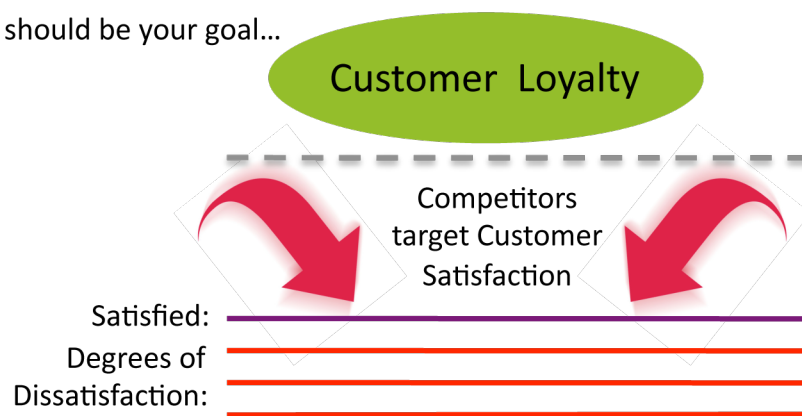
Let's get back to customer satisfaction. Would you repeatedly buy a brand, or buy from a company or vendor simply because you're merely satisfied? Probably not, *because being satisfied is only one step above being unhappy*. Being 'satisfied' is equivalent to a barely passing grade and leaves no room for error. If you're only satisfied with a brand or service, when it comes to replacing or adding to it, you're going to comparison shop, just in case there's something better out there. In doing so, you may find that your needs can be met by a lower priced alternative, thereby making you temporarily more 'satisfied' by that alternative.

So, when it comes to customer satisfaction, at least three problems exist:

- First, by targeting customer satisfaction companies set their sights too low.
- Second, competitors all claim that they have customer satisfaction and in so doing, by default, equate their performance with everyone else, creating a de facto level playing field.
- Third, providers can't be certain about customer satisfaction, because they don't really know how to measure their customers' perceptions of their services or products on a truly meaningful scale.

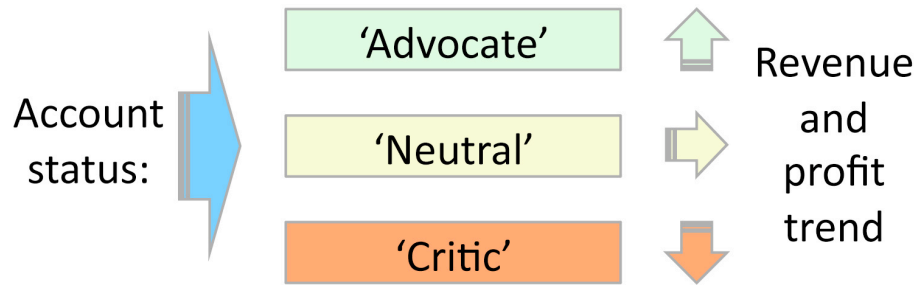
How is it then that some of the most successful corporations in America today have accomplished year-on-year growth and profitability? Companies, such as Apple, Google, Verizon and more, have found the answer - not by targeting customer satisfaction, but in the one reliable indicator of client retention and growth: *Customer Loyalty*.

This should be your goal...



Customer Loyalty changes everything because a loyal customer, by *their own choosing*, is 'locked' into your company, your product or service. But it doesn't end there. Studies show that companies with high Customer Loyalty ratios enjoy growth rates as much as 2.5\* times higher than those with low loyalty ratings. Furthermore loyal customers have been proven to purchase in higher quantities, more frequently and without seeking aggressive discounts, which reduce your margins and profitability. There is additional evidence to suggest that dissatisfied 'critics' can be a drag on profits since they demand more from customer service resources and account for greater credit losses. Additionally, when it comes to renewal time, loyal customers rarely switch to another vendor, meaning their ongoing patronage is more predictable and more reliable.

\*Source: Fred Reichheld, & Bain & Company



So how do you set about measuring the *loyalty* of your customers? And if you could measure customer loyalty, what might it tell you and what should you do about it? And how might you nurture and strengthen it? The answer can be found in the CL-Survey from Radia Group. The CL-Survey gives you the ability to ask your customers what they really think about you by using a *powerfully simple and surprisingly affordable* methodology, and with response rates that are significantly higher than with traditional market research or customer satisfaction surveys.

The CL-Survey only takes your customer a couple of minutes to complete, and after the first question invites them to state why they rate your company the way they do. The completed survey will provide you with 'one metric' that signifies your customer loyalty score. The scoring sorts customers into three categories, essentially advocates, neutrals and critics. But the score is not as important as learning why the customer rated your company the way they did. From the customer's verbatim comments, actions can be taken to address the issues they are describing, thereby enabling remedies to be implemented in cases where negative comments are made. Where positive comments are made, these can be validation of how you are supporting the account, enabling you to understand what's working – and what isn't. Perhaps comments are neither positive or negative, suggesting the customer is 'on the fence' and is no more than a 'satisfied customer', signifying they are either an opportunity for you to work with, or a potential liability that may not remain a customer in the future. Regardless, knowledge is power and the results from the CL-Survey will provide you with the intelligence you need to reinforce strong relationships and turn-around poor, high-risk relationships.

By creating a plan of action designed to transform 'critics' and 'neutrals' to 'advocates', you will see that, over time, you have the opportunity to grow the number of loyal customers for your company. By addressing your customers concerns, you begin working with 'leading indicators' that allow you to take affirmative action to minimize and prevent account defections. Because evidence clearly shows that growth and profits derived from 'advocates' are much greater than from 'neutrals' and 'critics', moving only a small percentage of your customer base into the 'advocate' category can have a huge impact on your sales and profitability, thereby driving organic growth. Not forgetting of course, your loyalty score will increase in the process, a definite competitive advantage.

Another factor worth considering is 'word of mouth'. Research has found that 80 to 90% of negative referrals come from 'critics'. Equally, 80 to 90% of positive referrals come from 'advocates'. We all know instinctively that negative comments can have a more impactful residual effect than positive ones, which seems to suggest that it takes more referrals from 'advocates' to even things out. Another reason to focus on Customer Loyalty!

In addition to conducting the CL-Survey, Radia Group will provide you with a detailed executive report detailing your 'loyalty' score, supporting data, and a complete analysis of your customer's comments, their themes and commonality, along with recommendations on the actions you should take to turn more of your clients into loyal customers. Armed with this information you can focus your entire organization on driving the 'one metric' that converts your customers into loyal advocates!

If you choose, Radia Group can consult with you over an extended period to further help this groundbreaking process succeed.

Radia Group can be reached at:

[radiainfo@radiasolutions.com](mailto:radiainfo@radiasolutions.com) and [www.radiasolutions.com](http://www.radiasolutions.com)