



UNDERSTAND CUSTOMERS, GAIN LOYALTY IN RETURN

Motivating customers to buy might be as simple as dropping the price, but motivating them to stay with you means knowing what experience they're looking for, and satisfying their expectations—not just once, but again and again

BY JULIE BARKER

MOTIVATING CUSTOMERS TO BE LOYAL IS MUCH MORE IMPORTANT than motivating them to buy. In studies, Maritz Loyalty Marketing in St. Louis has shown that “loyal customers”—in this case defined as those who had taken the step to enroll in a loyalty program that gives points for purchases—bought more often and spent more than other customers.

Airlines and credit card companies have made a science of loyalty marketing. But true loyalty is to card-based loyalty what true love is to the Britney Spears-Jason Alexander marriage, the celebrity union that was over practically the same day it began.

“True loyalty makes the customer an advocate for the brand,” says Gail Sneed, director of professional services for Maritz Loyalty Marketing. They’re loyal, she says, to the point where “they’re highly resistant to being lured away. They value the customer experience.”

If your customer relationships are getting stale, you may need to win customer loyalty anew. The ideal program should be in tandem with your other incentives and rewards: You motivate your sales and service staff to create an environment that, in turn, motivates customers to be loyal; and then the staff gets rewards when the customers buy.

In 1994, Cadillac was selling fewer vehicles each year and had a declining share of the U.S. domestic automobile market. It sold 210,686 cars that year, down from 258,168 four years earlier. Market share was 2.3 percent, versus 2.8 percent.

Interest rates, the price of fuel, and the excitement generated by each year’s new model releases are all parts of the reason certain automobile brands do well in any particular year. But another factor is customer relationships. According to a study by J.D. Power and Associates, when potential buyers leave a car dealership without buying, more than 25 percent of the time it was because they objected to the way the salesperson dealt with them.

Cadillac and its parent, Detroit-based General Motors Corporation (GM), set out to do something about the lost opportunities that occur at the dealership, addressing not just the sales relationship, but the way service satisfies customers as well. So, in addition to introducing a new line designed to appeal to younger customers, Cadillac also began a process called Standards for Excellence, to assure that when customers came into the dealership they would become “completely satisfied, repeat, or even lifetime buyers,” according to Maritz, which worked with Cadillac on the initiative.

SETTING TARGETS, ENGAGING STAFF

The research staff at Maritz developed extensive questionnaires that focused on the customer experience. “Customers want to give personal information to companies if they’ll use it for the customer’s benefit,” Sneed says. From the surveys, each participating dealership received detailed and actionable feedback on customers’ feelings.

Beyond that, the research team surveyed the customers of Cadillac’s competitors to understand what they were

looking for. Comparing the answers from both groups resulted in a "gap analysis," allowing each Cadillac dealer to see what was lacking in the experience his customers received from the sales and service teams.

A plan of action was the next step. In meetings between the Standards for Excellence facilitators and a dealership's management team, three or four items got particular attention. These became the Targets for Action, and a cross-functional team of employees was set up to work on the plan. The team's focus is continuous improvement, identifying current processes, looking into alternatives, brainstorming potential solutions, and recommending a practice that would best achieve the goal.

What ultimately was being changed was the culture in the dealerships, and cultures resist change. But having the cross-functional team discuss, test, and spearhead solutions made the new culture more likely to take hold. In addition, the facilitator followed up regularly to offer encouragement and to track the progress of change.

WHAT DO CUSTOMERS WANT?

The success of the program rested not just on the research into customer expectations and setting targets for improvement, but also on the performance bonuses dealers earned when their rankings improved. The Standards for Excellence program that General Motors and Maritz designed mandated that dealerships must meet, at a minimum, three requirements: specific sales objectives, improved customer-satisfaction-index scores, and



"An integrated employee and sales-based performance-improvement program will communicate goals for customer satisfaction and service and improved sales. It makes sense that a highly motivated customer service, product development, marketing, and support effort will benefit a sales force. As a part of an integrated business strategy, well-designed and properly executed incentive programs motivate people at all levels of the organization, from salespeople and customer service reps to executives. The bottom line is that the organizations that invest in motivating their entire workforce will realize the greatest financial gains over time."

—Karen Renk, executive director,
Incentive Marketing Association, Naperville, Illinois

training goals. At a GM Web site set up through Maritz, dealers could check their sales progress every day. They could log on and see how their dealerships were performing on the



"If you're not actively engaging employees in your goals, you may be threatening the satisfaction of your customers. None of us can afford to take that chance in the increasingly competitive environment in which we find ourselves. Smart sales leaders are addressing a broader audience of employees in their programs to reinforce and ensure the results they set out to achieve. And research validates this concept: A study by the Forum for People Performance Management & Measurement found a direct link between customer satisfaction, employee satisfaction, and corporate profitability, even when the employees involved did not have direct customer contact. Maximize your results by including all the people who can help you to succeed."

—Michelle Smith, vice president,
business development, O.C. Tanner, Salt Lake City

customer-satisfaction index charts. And they could see how close they were to getting a performance bonus.

Dealers that participated in Standards for Excellence consistently outperformed other dealers in customer satisfaction, according to Maritz. This in turn consistently led to higher sales and profitability.

Finding ways to improve customer-satisfaction scores is a major key to boosting sales and profitability, says Les Komaneky, retail experience manager for GM. The company is enrolling dealers of other GM brands into the program Cadillac pioneered. In a March 2005 article for *GM Edge*, a publication for GM dealers, Komaneky explained why GM believes so strongly in the Standards for Excellence program. "Quality is improving, but all manufacturers are focusing on quality. The battleground is going to be in the customer experience."

Companies are beginning to see the value of customers, Sneed says, and not just for a short-term relationship. The measurement that visionary marketers focus on is customers' lifetime value to the company.

Four years after Cadillac initiated its push to learn customer desires, and to provide a satisfying experience in both sales and service, Cadillac tied with Volvo and Jaguar in the J.D. Power customer satisfaction survey. And in 2003, according to J.D. Power, Cadillac ranked first in a sales satisfaction survey. That year, the brand's sales surged 16 percent in the first quarter. In 2004, Cadillac had its best annual sales performance since 1990, according to GM investor information.

"Companies are really starting to realize it's about building the relationship," Sneed says. "They're getting their employees to understand."

And how do they do that? Motivation.

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