Inside out Advocacy: Sustaining Customer Centricity & Loyalty

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We can all pretty much agree that much of customer loyalty behavior comes as a result of **relevance**, **authenticity** and **trust**, three essential elements in the way customers see suppliers through their own value lens and set of personal experiences. This is strongly influenced by a company's degree of customer-centricity, principally the customer-focused touchpoint and support processes, and employee interaction. As Professor Peter Fader, co-director of the Customer Analytics Initiative at The Wharton School, has stated (in his recent book, Customer Centricity):

"Customer centricity can help you create a passionate, committed customer base that will spread word of your company's attributes to potential new customers. Customer centricity can improve the way your customers view you -even as those customers pour more money into your coffers. But most important, it will also generate profits - for the long term."

There's much that needs to be considered and understood about what creates and sustains customer centricity and customer loyalty, not the least of which is how customer behavior is measured.

Where's the Focus? What is the Result?

Corporate marketing executives are - or should be - always concerned about what drives customer commitment and advocacy behavior. They tend to believe that as customers gain experience with their enterprises, entirely through people, products and services, this will result in deeper relationships and engagement. However, organizational structure and culture, the ways companies use available customer data, and the positioning and messaging companies create, are no less important.

This is a time when customers have grown increasingly skeptical about supplier focus on their personal and individual benefit relative to corporate self-interest, and also an awareness that the traditional supplier 'push' communication delivered from companies does not resonate, penetrate, or influence as in years past.

In any form or fashion, relevance, authenticity and trust must be delivered at every touch point. This absolutely requires that the meld between culture, messaging and experience be as seamless as possible.
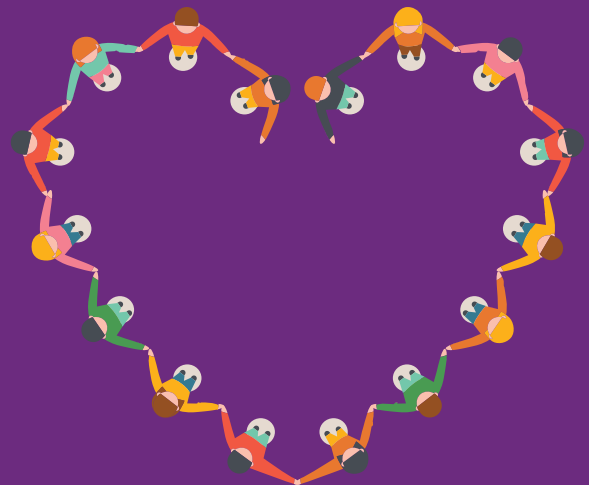
If companies want customers to advocate for them on the outside, the advocacy process needs to begin with the right culture, the right messages, the right media, the right processes, and the right strategic experience creation from within the organization.

Banks, airlines, wireless telecoms, retailers, insurance companies, realtors, utilities, business-to-business companies, and even government agencies feel compelled to express the strength of their focus and allegiance to customers, particularly in areas of service and relationship-building, often as statements and manifestos of commitment. Are the words companies use true differentiators of perceived benefit and value, and customer loyalty and engagement, or are they just reflections of expected basics of performance, and often disbelieved?

When customers are considering alternative suppliers and/or making final purchase decisions, it is now becoming well understood that the principal, previously underappreciated choice criteria are the intangible, emotional, relationship components of value. Often, much of what is tangible, functional, and rational - value elements such as quality, reliability, timeliness, and price - are seen as one-dimensional and non-differentiating 'table stakes'.

Advocacy Creation Templates

So, it's important for organizations to understand that customer commitment and advocacy behavior can result in one of two ways. The first way, which we identify as generation of 'inside-out' customer commitment and advocacy, is where companies endeavor to manage and influence attitudes and perceptions of customers (and prospects), as well as where, how, and when communication takes place. Though there are many thought leaders who offer insights into how organizations can produce benefit for stakeholders through culture and value, Glen Urban, Professor of Marketing at MIT, initially outlined this very well in his book, **Don't Just Relate – Advocate.** Two other books, **The Experience Economy** and **Authenticity**, both by James Gilmore and B. Joseph Pine II, and a fourth book, **Firms of Endearment**, by marketing professors Jagdish Sheth, Raj Sisodia, and David Wolfe, did an even better job of explaining how organizations can create superior experiences and value for all stakeholders.
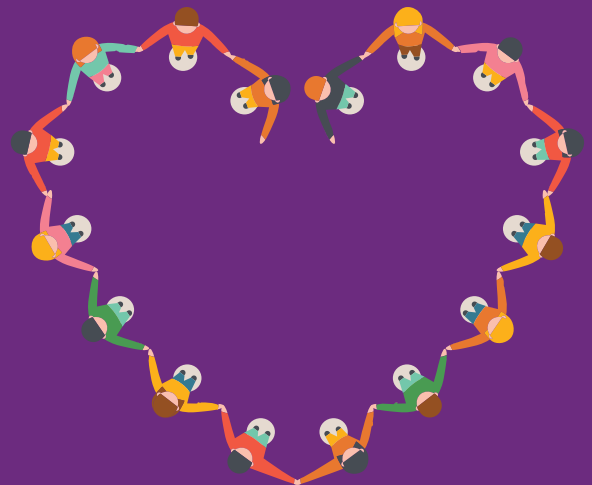
Particularly in **Firms of Endearment**, the authors identified elements of stakeholder relationship management (rather than a traditional stockholder and stock price-focused) model for creating a strategic and emotional bond between the enterprise and its customers. Importantly, they recognized that the 'invention' of the World Wide Web (by British software engineer Tim Berners-Lee) in 1991 became a seminal, high-frequency communication enabler, also fundamentally changing the balance of decision-influencing and informational power to the b2c and b2b consuming masses. It also changed the form and amount of interaction between peers. Most critically as it impacts stakeholders, this has forced organizations to act with greater and greater openness and customer sensitivity.

Advocacy-Building Results in the Real World

Skepticism, information availability, and economic instability has combined to change the landscape of product and service decision-making, probably forever. As b2b and b2c consumers seek more <u>meaning</u> from everything - their work, their relationships, even the companies with which they do business, the result is that organizations will be perceived as partners to the degree with which they can align their products, services, values, and culture with the needs of stakeholders. Very few companies have been able to do this, either at creation or through transformation; however, those that have succeeded are true customer advocacy performance exemplars.

Sheth, Sisodia, and Wolfe call such organizations *'humanistic'*, companies which seek to maximize their value to each group of stakeholders, not just to shareholders. These companies, which the authors refer to as 'FoEs', have succeeding in aligning (not just balancing) the interests of all stakeholders. They are focused on employee hiring, training and teamwork, and empower employees to optimize, and 'humanize', customer experiences. They work in partnership with suppliers.

The authors identified companies like Southwest Airlines - an organization with a 93 member Culture Committee, whose charter is to preserve Southwest's leadership position among airline companies, and develop employee leaders on a local level who will live and share the culture with other employees, passengers and the public - as unique. As they state, right up front (Chapter 1, page 4):
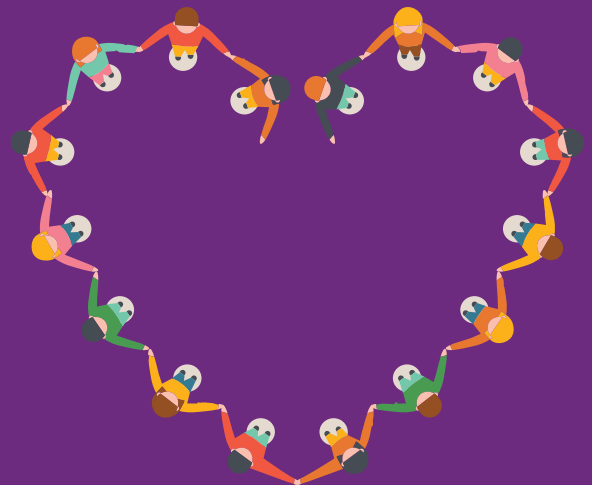
"What we call a humanistic company is run in such a way that its stakeholders-customers, employees, suppliers, business partners, society, and many investors-develop an emotional connection with it, an affectionate regard not unlike the way many people feel about their favorite sports teams. Humanistic companies-or firms of endearment (FoEs)-seek to maximize their value to society as a whole, not just to their shareholders. They are the ultimate value creators: They create emotional value, experiential value, social value, and of course, financial value. People who interact with such companies feel safe, secure, and pleased in their dealings. They enjoy working with or for the company, buying from it, investing in it, and having it as a neighbor."

For the authors, a truly great company is one that makes the world a better place because it exists. Simple as that. In the book, which was published in 2007, the authors have identified about 30 companies, from multiple in-dustries, that met their criteria. They included CarMax, BMW, Costco, Harley-Davidson, IKEA, JetBlue,Johnson &Johnson, New Balance, Patagonia, Timberland, Trader Joe's, UPS, Wegmans - and Southwest Airlines. Had the book been written a bit later, it's likely that Zappos would have made their list as well.

The authors compared financial performance of their selections with the 11 public companies identified by Jim Collins in Good to Great as superior in terms of investor return over an extended period of time. Here's what they learned:

-Over a 10 year horizon, their selected companies outper-formed the Good to Great companies by 1,028 percent to 331 percent (a 3.1 to 1 ratio)

-Over five years, their selected companies outperformed the Good to Great companies by 128 percent to 77 percent (a 1.7 to 1 ratio)

Just on the basis of comparison to the S & P 500, the public companies singled out by Firms of Endearment returned 1,026 percent for investors over the 10 years ending June 30, 2006, compared to 122 percent for the S & P 500, more than an 8 to 1 ratio. Over 5 years, it was even higher - 128 percent compared to 13 percent, about a 10 to 1 ratio.
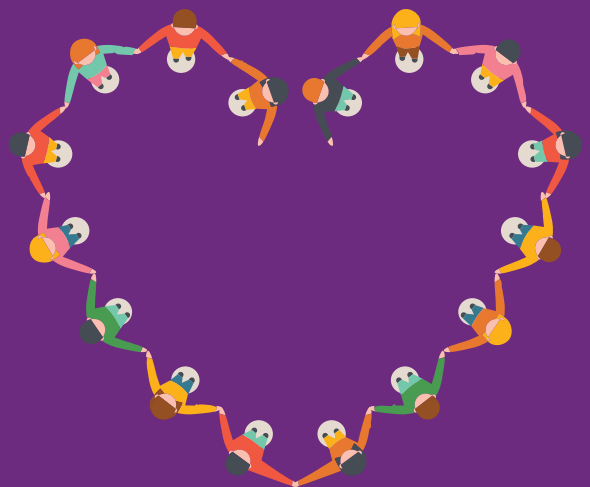
The Winning 'Inside-Out' Advocacy Formula: Customer-Focused Self-Awareness and Self-Regulation

How did they do it? <u>By what magic did these companies achieve such stellar results</u>? According to the authors, it begins with 'emotionally intelligent' management, based on ideas offered in the 1995 and 1998 books by Daniel Coleman. This is principally the ability to be self-aware and self-regulating, emotionally and socially; a capability the authors recognize as being absent or ignored in most organizational cultures, even those that are otherwise fairly customer-centric. However, it is a necessary component of leadership development at all levels, and in all functions, of any company. Without it, the authors assert, the tone of the enterprise and its culture – how much people give and want to give, and how much they care about the enterprise and its stakeholders - will be impaired, yielding low morale and interpersonal consideration, and high levels of conflict and stress. The result is that business effectiveness, i.e. bottom-line outcomes, will suffer.

Also recognized is the power of communications, both inside and outside of the organization. As the authors state: *"Instead of business-controlled monologues, the marketplace is now dominated by conversations. People talk to each other as never before about the companies they work for, buy from and invest in. This is forcing companies to operate with greater transparency. But that is not a problem for companies with nothing to hide, as firms of endearment have discovered. Transparency helps customers, employees, and other stakeholders develop trust in a company. It has proven to be effective as a motivating force among employees."*

Much of the creation of trust, per the authors, has to do with the employees who create differentiated customer experiences. The relevant point made is that, beginning with the hiring process, firms which create strong bonds with their customers select employees based both on skill set fit and also fit within the culture. L.L. Bean looks for employees who are dedicated outdoor types. Whole Foods and Trader Joe's look for people who like dealing with food (and people) as a key part of their lives. Harley-David-son looks for new staffers who are into motorcycles.
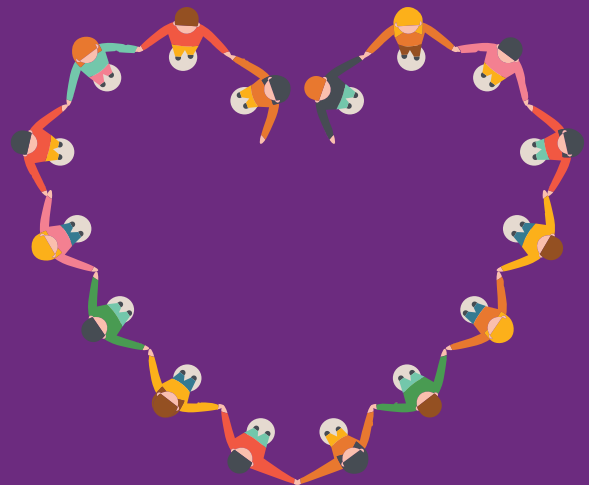
Measuring the Advocacy Behavior Impact of 'Inside-Out' Elements

In our customer advocacy research, we can identify, based on the specific perceived value and customer experience circumstances, which elements will most significantly drive positive and negative customer behavior. Our banking study, for example, showed that some key staff-related service elements – follow-up and making proactive recommendations – could drive more positive advocacy, while timely service delivery and making customers feel valued at the bank, if not performed well from the customer's perspective, could create more negativism.

Negativism, based on our findings, can result in diversion of available customer monies to secondary and tertiary banks, disinclination to take new bank products, and even potential churn.
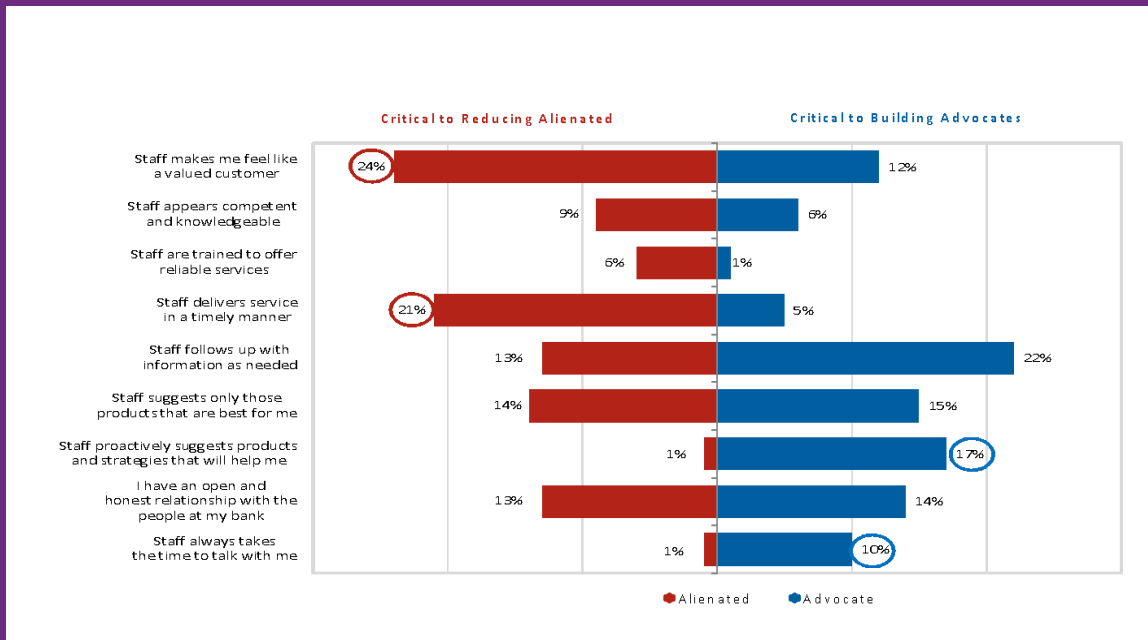
From a more process-based and experience-based banking customer standpoint, knowledge of staff, followed by waiting time and branch aesthetics, were seen as positive branch advocacy drivers, while waiting time, as a double-edged sword, could create negative customer behavior if not seen as being performed well. Transaction completion time, another key process-based element, could also have negative downstream behavioral leverage.
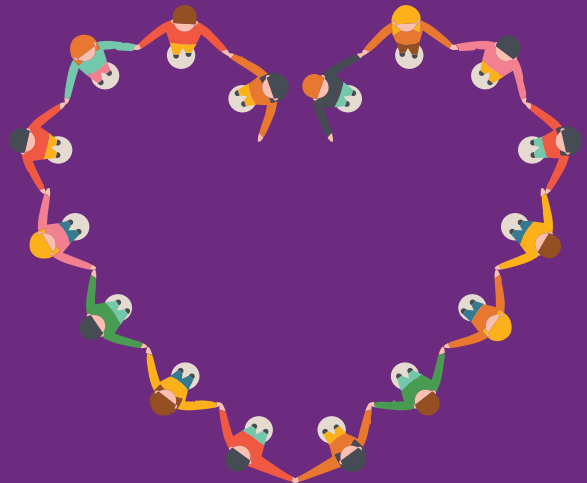
Customer-Centricity Guidelines

Finally, the **Firms of Endearment** authors identified some unique operating traits among its chosen examples of customer-driven cultural excellence:

-Decision-making is decentralized, but in ways which actu-ally increase the visibility and influence of key executives throughout the company

-Frontline staff, i.e. those dealing directly with customers, are paid at higher rates compared to their peers at other companies

-A cornerstone of this book, these companies spend far less on marketing and advertising than their competitors, depending more on their inside-advocacy creation abilities to drive outside-in customer advocacy

This last point, of course, is particularly important and has major impact on marketers and marketing budgets. Truly excellent companies rely on advocating customers, employees, and suppliers - positive communication offline and online through social media - to spread the word, reducing the need for advertising to build awareness and public relations to build image and reputation. Google, for instance, became one of the world's most valuable brands without any advertising. The authors note that one of their example companies, Jordan's, spends only about 2 percent of gross revenue on marketing, compared to 7 percent for the average furniture retailing chain, yet generates square-foot sales that are five times that of most furniture stores.

To create an organizational culture that is loved and respected by all stakeholder groups, three primary elements are required: *a strategic vision, a set of core values,* and *perceived energy and perseverance.* This vision, a common theme to all companies studied in Firms of Endearment, is based on maximizing creation of value. The binding force for keeping these companies focused and centered is the set of values to which they commit. The energy, visible to customers as they interact with the company, and to employees as they go about their work, is a reflection of the passion and commitment they generate.
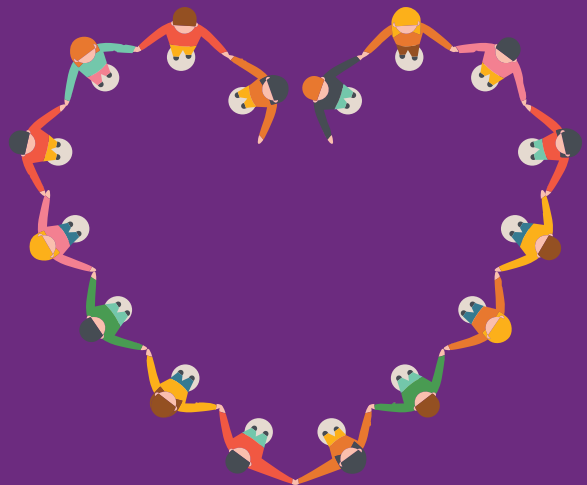
One of my favorite movie quotes sums up what can differentiate companies as humanistic, values-driven, and stakeholder-focused. In **A League of Their Own**, manager Jimmy Dugan (Tom Hanks) says to Dottie Hinson, his star player (Geena Davis), who is leaving the team because playing was no longer fun and had gotten too hard: "It's supposed to be hard. If it wasn't hard, everyone would do it. The hard... is what makes it great." Few would claim that creating and sustaining customer-centricity from the inside-out is easy, simple, or quick, but the results can be great and are more than worth the effort.
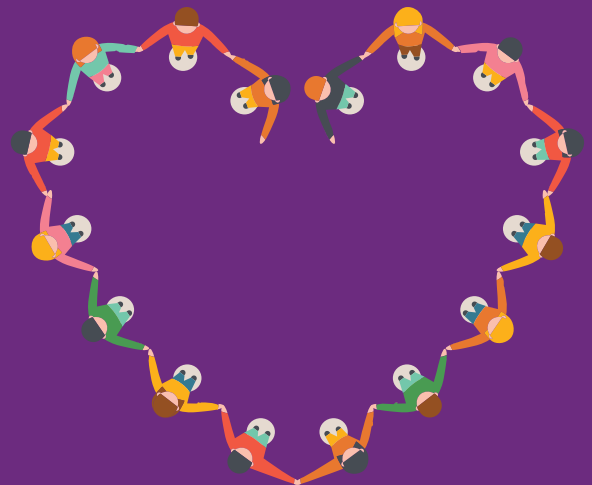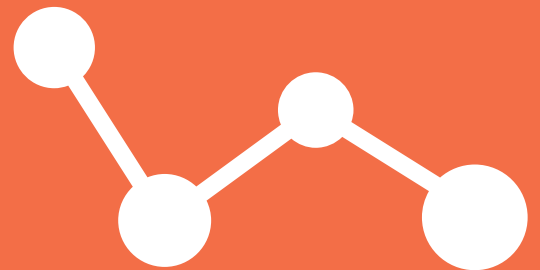
Additional Resources

You may be interested in reading some of our other White papers and blogs that can be found here on our web site:

The Customer Complaints X-Ray

The Walkie - Talkie Model Of Customer Experience

Think There's No Such Thing As Bad Press - Think Again!

Attention, Target Shoppers: It's Come Down To Trust. Distrust, Or Even Disgust

About Beyond Philosophy

Beyond Philosophy are literally the world's first dedicated Customer Experience company. Founded in 2002 by our CEO, Colin Shaw, we have built an excellent reputation of being Thought Leaders in Customer Experience.
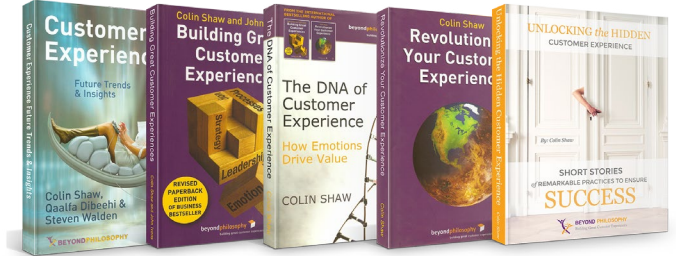
This is not what we say, it's what other say. We are proud that Colin Shaw our CEO, has been recognized by LinkedIn as being one of the world's top 150 Business Influencers and by Brand Quarterly as one of the 'Top 50 Marketing Thought leaders over 50' and written 5 books on Customer Experience.

Beyond Philosophy help organizations move to the next level of the customer experience . There are many case studies that highlight our work. One of our clients Maersk Line, improved their net promoter score by 40 points in 30 months and then had a 10% rise in shipping volumes as a result of our work.

Beyond Philosophy provide three services.

Consultancy services – both strategic and tactical so we can help guide you to improve your customer experience.

Training services – we can train your CX team on how to improve your customer experience as well as your front line team with our memory maker training.

Specialized research services – we provide some innovative research techniques that discover what drives and destroys value for your organization.

If you'd like further information please contact Beyond Philosophy LLC on our website Beyondphilosophy.com.

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