

How to gain customers' loyalty?

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Abstract - When it comes to customer relationship management (CRM), it truly is better to give than to receive. Shine the spotlight on your customers. "Whether it's posted on your website, blog or on a bulletin board in your shop, people love to be recognized for what they do," said Michelle Rikken-Ransom, chief communications officer and a co-founder of BatchBlue Software. Companies need to highlight their most active customers and make them feel special is one of the best ways to increase top customers' loyalty. When customers feel passionate about companies' business they are far more likely to recommend it to other people. This article presents a way how to gain the consumers' loyalty through the following examples of companies: IKEA in Sweden, Merkator and Tempo in Serbia.

I. INTRODUCTION

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both, the customer as well as the organization. Loyalty is the key to the business growth and profit, because loyal customers generate a continual revenue stream through repeat purchases, they bring to the business-increased profitability at a lower cost. Therefore, customer loyalty can be defined as the totality of feelings or attitudes that would incline a customer to consider the repurchase of a particular product, service or brand or revisit a particular company. Customer satisfaction and loyalty are intrinsically coupled to the well-being and long-term growth of the company. This fact means that the success of the company depends on how satisfied and loyal the customers are. Acquiring new customers is about ten times more expensive than servicing existing customers.

Companies which face both significant competition and high costs associated with acquiring each customer, customer loyalty becomes crucial. Studies have shown that organizations with loyal customers had profits of up to 60 percent higher than those of competitors. They were also twice as likely to exceed the predictions of financial analysts. Moreover, high customer satisfaction scores consistently show a correlation with sales growth.

II. CUSTOMERS' LOYALTY AND EXAMPLES

A. Kinds of customer loyalty

- Monopoly loyalty: Monopoly means a single seller in the market.
- Cost of change loyalty: In this type of loyalty, customers remain loyal to their company or

organization as the cost of change or switching over to other company or organization will be high. Customers with this type of loyalty have less satisfaction levels and try to compromise with the same.

- Incentivized loyalty: Incentivized loyalty is one of the types of customer loyalty wherein the customers will gain by collecting some points by making repeated purchases from the same seller.
- Habitual loyalty: In this type of loyalty, customers tend to purchase the products or services from the same company or organization because they are habituated to them. The customer when purchases a product and are satisfied initially, they make repeated purchases from the same seller and this becomes a habit to them thereby making them loyal towards the seller.
- Committed loyalty: The customers in this type of loyalty is said to be committed towards the company or organization. If the customers are satisfied initially with the product or brand of the company and their experience with the product's use is more than what they had expected, then they become committed towards the company or organization and do not get carried away by the competitor's products or services.

Types of Loyalty	Customer Behavior
Monopoly Loyalty	No Choice
Cost of change loyalty	Cannot bear the expenses & hassle of change
Incentivized loyalty	Collection of points
Habitual Loyalty	Very handy
Committed Loyalty	The best

Figure 1. Types of loyalty and description of customer's behavior for each group.

B. How company can measure customer loyalty?

Model which provides a view of customer loyalty is Harvard Business Review's Apostle Model that segments customers into four quadrants (Figure 2). To measure the attitudes that result in this model, customers are asked to rate their overall satisfaction on a scale of 1 to 10 (horizontal axis) and their likelihood to continue to do business with company on a scale of "Definitely Will" to "Definitely Will Not" (vertical axis). In this model, "Defectors" are defined as anyone who answers the

satisfaction question with a score of 6 or less and reports that they definitely or probably will not continue to do business with company in the future.

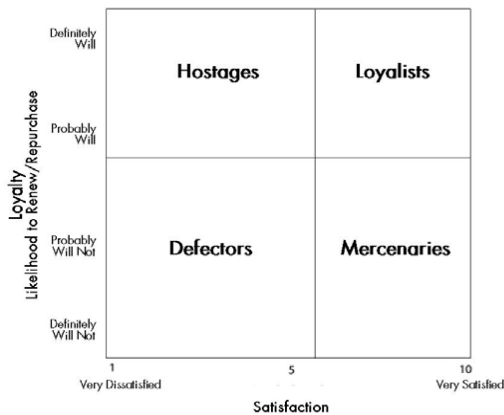


Figure 2. The Apostle Model measures both loyalty and satisfaction. By plotting the scores for both variables, company can segment customers into four categories.

C. How company can build customer loyalty?

- **Flow of Information:** Communication plays an important role in building customer loyalty. Company need look for new ways of maintaining an on going flow of information with them.
- **Initiate new areas mutual profitability:** Company has to initiate new areas of business activity between them and the customer that can profit both sides. They have to attract the customer by offering unique and attractive products and services preferably unique to customer's needs that demonstrate company's attention to the small but important details and helps keep their competitor's foot out of the door.
- **Loyalty Programs:** Think of "loyalty" programs where company can reward their customers' loyalty in ways that their competitors can't easily copy. Customers would be delighted and happy to return to the company for purchases if they were given certain incentives.
- **Customer database:** Proper customer database should be collected regarding the likes and dislikes of the customers. Each customer is different and their wants are also different and so, accordingly the products or services should be provided.
- **Continued Customer service:** The relationship with the customer doesn't end in just providing customer service. After sales services should also be provided to the customers.
- **Employee training:** To begin ensure that the employee is happy. An unhappy employee can never serve the customers the way they deserve to be served. Also employees who have a direct

contact with the customers should be properly trained in order to attend to the customers.

D. Customer relationship management (CRM)

Competition in the market requires fast response and good knowledge of customers. The struggle for survival dictates a fast pace in creating loyal customers. It is known that a satisfied customer is also the most profitable. Every client can be satisfied. However, the question is whether it can be done in an economically justifiable way for the company. Finding the answer to that question is the essence of CRM.

CRM or customer relationship management is the alignment of business strategies, organizational structure and culture of the company, information about customers and information technologies with the goal to be in contacts with clients to satisfy their needs and achieve business benefit and profit.

The company must change the way of thinking, culture and organizational structure so that all departments in a company operating in harmony. The greatest attention is given to the client and building relationship with him that in the long term company brings a profit. In the past a lack of technology was an obstacle for the realization of such ideas, and today the technology is foundation for achieving business goals.

Successful introduction of CRM requires a vision that will cover the entire business and that must begin at the highest organizational level. When company defines the directions of further cooperation with their clients, they need to prepare a strategy to implement the set tasks. The CRM strategy takes into account financial goals and business strategy of the company and upgrades its marketing strategy. It determines how the company will build profitable relationships with customers and gain their trust. Introducing the CRM technology companies have not focused on customers, yet. For something like that, except technologies, they need to change habits of thought, culture, behavior and organizational structure.

Advantages of CRM solutions:

- understanding the value of each customer in the overall life cycle,
- structured, consistent and complete data about customers, identifying the client as an individual,
- integrated treatment of customers across all communication channels (phone, e-mail, Internet, visits)
- greater emphasis on customer retention programs to increase the loyalty and
- planning strategy of cross-product marketing,
- measuring the impact of marketing campaigns and sales activities,
- optimization, automation and control of marketing, sales and service processes,
- rationalization of business saving time and money.

E. Example 1: IKEA

IKEA is the world's largest home furnishings retailer, which was founded in 1943 and offers a wide range of home furnishings and accessories of high quality, great value and low costs in order to allow the majority of people to afford their products. This company has more than 225 stores in 33 countries, including 26 stores in the U.S. Well known for its innovative approach customer relationship management, home furnishings retailer IKEA has been giving customers all over the world something to talk about. Focused on providing consumers with the ultimate in function, design and price, Founder Ingvar Kamprad believed in saving in every way possible except on ideas and quality. Largely attributed to the company's commitment to customer service, IKEA continues on inspiration and innovation.

IKEA has begun to introduce self-service checkouts across all its stores worldwide. Self-service has always been an important part of the IKEA concept, but, until recently, payment has been one of the few things in IKEA stores that customers could not do themselves. The vision of the project is to minimize queues and reduce waiting times for customers at the checkout while at the same time increasing efficiency. Self-service checkouts enable their customers to scan and pay for their products themselves, which is in line with the IKEA concept of "we do our part, you do your part, and together we save money". The kiosks support the easy buying process by increasing the speed of service and reducing waiting time for customers at the checkout. The IKEA Warrington, UK store was one of the first to have self-service checkouts, and, during the first couple of weeks of implementation, a customer survey was conducted. The results, based on feedback from 382 customers, found that 90% of customers who used the self-service checkouts said they were easy to operate, and 85% thought they were quicker than the manned checkouts. Ann Pendlebury, IKEA Cash office coordinator, customer relations commented: "Express checkouts fit in so well with the Ikea concept. Not only can you choose the products by yourself and pick up the goods you need by yourself, now you can also checkout and pay by yourself and then go home satisfied!"



Figure 3. Self-service checkout enables IKEA customers to scan and pay for their products themselves.

F. Example 2: Mercator

With the arrival of several European trading companies in our market Serbian trade is beginning to resemble the world but, unfortunately, is still years away from it. Mercator, following the world trends in trade, is the first retailer in Serbia to introduce self-service tills, Tik-Tak, in its stores. Introduction of self-service cash register is an excellent example of the application of

information technologies that provide customers faster and easier shopping. The company, which is known for innovativeness and focus on the development and implementation of modern technological knowledge in business, after Novi Sad in 29th March 2011 has provided its customers to use cash registers in supermarket in Belgrade.

On self-service cash registers, customer himself reads the codes of all products that he chose thereby can receive discounts and independently conclude the purchase payment, when choosing the payment method that suits him best, cash or card. The merchants from Mercator explained that firstly customer elects the language in which slot machine will pay, and it is offered the Serbian, Slovenian, English, Italian and German.

Self-service tills, Tik-Tak, which Mercator-S has introduced in its stores, have been met with great interest by customer. Since the introduction of new services March 2010 year, self-service shopping has done a near one million consumers. Practice has shown that customers who use cash registers Tik-Tak in Novi Sad, have the average purchase up to 10 items from the market programs, such as bread, milk, coffee, fruit, vegetables or juices. Tik-Tak cash registers can be used by customers of all age groups, but women are increasingly opting for the application of innovations and purchase average takes about 4 minutes. Consumers, as the main advantages of using these registers, listed the privacy of payment, a new experience during purchasing and saving time.



Figure 4. Self-service tills, Tik-Tak, which Mercator-S has introduced in its stores.

G. Example 3: TEMPO

Tempo centers have been recognized for its unique concept which enables consumers to find in one place the most diverse range of products, from food products, household chemicals, household appliances, technical equipment, textiles, clothing and garden equipment, cars and sporting goods at very reasonable prices. All Tempo centers are regulated and equipped according to the world standards and have a parking space.

Tempo centers are recognized by visual identity. Fully characteristic look of retail space contributes to, among other things, the positioning of goods according to international standards, sales, promotion of the island on which products are exposed to the action with monthly discounts, and overhead road signs that make getting around the object.

From this summer in addition to making a purchase, consumers will be able to recharge deposited on the terminals for mobile phones. Consumers who shop in the market Maxi and Mini Maxi from this summer they have another benefit - the two retail shops in Belgrade are already set payment terminals that allow electronic recharge mobile phones of all operators in Serbia and the largest Internet providers, and as announced, will soon be open the possibility of payment bills. Qiwi company, which, in cooperation with this trade chain allows customers new service, because it is planed that these terminals offer the citizens to pay utility bills, telephone, electricity, gas and all taxes of the Revenue. Terminal is easy to operate, customers just need to follow the instructions on screen and in a few steps they can supplement the phone or use another service without waiting.



Figure 5. Payment terminals in TEMPO centers that allow electronic recharge mobile phones of all operators in Serbia and the largest Internet providers.

III. CONCLUSION

Customer loyalty has always been important to business success and profitability. It has become an important aspect in the marketing world. Marketing managers can build effective customer loyalty through proper communication, customer database, customer service, customer incentives, employee training and finally through product awareness. Therefore, we can conclude that customer loyalty is gaining importance in the marketing era, as customers are the lifeblood of any business organization.

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