

THE GREAT MYTH OF CUSTOMER SATISFACTION

Satisfaction is based on price, whereas appreciation is based on experience and value.

By *Saguity* CEO Darrell Hardidge.

It's at least six times more expensive to buy a new customer than to get an existing one to return. This is a well-known fact in business, but what is so interesting about it is that few businesses can demonstrate how they measure customer loyalty and protect their future revenue. A part of the issue is that most are using the wrong theory and don't even know it.

Delivering customer satisfaction is basically giving people what they have paid for, and any experience is mostly a head connection: efficiency, having stock, minimal fuss and good price are examples. A real problem in Australia occurs when it comes to a mindset and attitude of complacency around service. Think about how often you are 'wowed' by your experiences. If you consider all of your own personal transactions, generally you'll discover it's only about 15 per cent of them that go way beyond your expectations and provide an excellent experience. This is where the golden opportunity of optimising loyalty is hidden.

THE POWERFUL DISTINCTION OF CUSTOMER APPRECIATION

Think of the people in your life whom you care about, those you love, those who are significant in life's experiences, those you truly appreciate. You have a strong heart connection to them. Business can be the same: you are truly loyal to some businesses not because you've received what you paid for, but because you've received a lot more. It's usually because of the relationship you have with them and how they make you feel.

Customer appreciation is a very powerful and profitable currency. It's one of the biggest weapons a business can have against its competitors. But it's rarely understood and grossly under-leveraged. The challenge is how to define customer appreciation in the culture of your business, especially for front-line teams.

It's effectively impossible to achieve extremely strong customer loyalty with an average team culture. Most companies fail to place enough importance on the relationship between team culture and customer experience. In fact, it's rarely measured or implemented as team training. Having customer appreciation as the objective, instead of merely delivering customer satisfaction, will have a massive impact on your bottom line.



FOUR STEPS TO REVENUE

In a competitive market there are four specific categories when it comes to defining and creating revenue. These are critical to master and manage if you want to build powerful ambassadors for your business and maximise margins:

Lead generation. In the past three to five years there has been an explosion in the methods of how to market your business and it can be expensive if you don't measure and manage it wisely. The most effective lead-generation strategy has always been, and still is, powerful referrals from loyal customers. They know what they want: they want to deal with you.

Conversion rate. The fastest way to increase revenue is to increase conversion rates with prospective and existing customers. If you sell to two out of every 10, increasing the conversion rate to three out of every 10 represents a 50 per cent increase. Powerful referrals deliver the most effective and profitable conversion rates as they are the best possible prospect.

Number of transactions. Successful businesses focus on having repeat customers, as these are more profitable for multiple reasons. Ambassadors value experience over price and reward you with maximum wallet share. Just think of whom you are loyal to and how you choose them first every time. If you don't have loyalty, then you must be price competitive to get customers back, and this costs you margin.

Average sale value. Customer satisfaction has your market buy what they *need* from you. Customer appreciation has earned you the right to have them buy what they also

want. Appreciative customers can spend considerably more than satisfied customers (often double). If your business has a strong focus on delivering appreciation from service excellence, you'll be rewarded with higher sale values.

THE VERDICT

Customer satisfaction is a price-driven economy, a very fragile and unforgiving marketplace to operate in. Most businesses in Australia are stuck in the price trap and don't even realise it. Customer appreciation is a value-driven economy, a very secure and predictable space with customers who genuinely want you to succeed because they want you to be there for them in the future.

True customer appreciation creates an unshakable emotional connection to your business that ensures you have the most powerful advocates who will go out of their way to support you. **RW**



About Darrell Hardidge

Darrell is a customer experience strategy expert and CEO of customer research company Saguity, which works with large and

small businesses on developing customer appreciation. He is also the author of *The Client Revolution* and *The 10 Commandments of Client Appreciation*. To find out more, visit www.saguity.com.

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