

## Appreciation key to winning customers

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Customer satisfaction is an outdated measurement of effectiveness, yet businesses continue to focus on it. According to National Australia Banks's 2017 white paper Moments That Matter, 34 per cent of small to medium business owners rated customer satisfaction as their No 1 priority.

If customer satisfaction is the best measurement of excellence, why do so many businesses fail to deliver? The challenge with satisfaction as a measurement is that it leaves too much room for variation in service standards, and customer reviews are unreliable.

With the advent of online reviews, social media and artificial intelligence, it is difficult to tell a fake review from a real one. It is equally difficult for businesses to stand out and attract customers amid a cacophony of reviews, both real and fake.

Businesses are adopting customer appreciation as their primary measurement of excellence. Customer appreciation is based on human traits and connects with the heart more than the head. It is often misunderstood and under-leveraged.

American pioneer of quality control William Edwards Deming, well-known for his influence on the rise of Japanese industry after World War II, developed a simple and powerful process for defining quality. Deming argued that if the variation of a product or service could be minimised, the result would be maximum customer appreciation, leading to high levels of loyalty and a focus on value over price.

Price, Deming argued, was affected by alternative sources of supply and an educated market. Mobile technology means that within minutes anyone with a smartphone can find out where a product or service is being sold and compare prices.

This means satisfactory products or services are simply not enough; businesses must build an emotional connection with customers. Brands without a point of difference will always lose out.

Deming's theory describes value as delivering unique transformational experiences beyond the market's expectations and competitors' capabilities. Businesses must understand how and why their product is important to the market because, inevitably, the market will decide its fate.

Customer appreciation is the “heart connection” between a business and its customers. To achieve it, a business must understand what matters to its customers, and do it well. A detailed understanding of customers’ needs and habits allows businesses to design the ultimate customer journey. Melbourne customer-experience strategist company Saguity has analysed more than 500,000 customer-experience surveys across the past decade and the results are compelling.

Businesses that achieved “customer satisfaction”, or a score of eight out of 10, saw an average customer retention rate of 48 per cent. But retention rates for those that achieved “customer appreciation”, or a 10 out of 10 score, were much higher at 91 per cent.

Referral ratios were a similar story, with those in the satisfaction group receiving one referral per customer and the appreciation group receiving four. Customers of the satisfaction group were most concerned with price and convenience when choosing to make a purchase, while those who bought from the appreciation group were more focused on the value of their experience. Far from being a cost burden, delivering excellent service pays dividends.

If a consumer truly appreciates the service, the business will receive a greater share of the individual’s spending than a cheaper or more convenient option. When a business makes appreciation its focus, their margins and bottom line benefit. It is a powerful edge.

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