

Value Enhancement: The Key to Customer Loyalty

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Do you fully understand the value expectations of your customers?

Have you unintentionally established transactional customer relationships?

It is difficult to imagine how competitive advantage and growth can be achieved without an honest assessment of the value you are currently creating for your customers. Most organizations have little insight into their customers' perception of the value they create and often rely on superficial or invalid assumptions. In the absence of systematically and routinely collecting information from customers regarding their wants, needs and level of satisfaction—any attempt to create value and build loyalty is little more than a guessing-game.

In today's economy organizations that don't increase their ability to create value for their customers will lose market share to those who do. As such, during a recession, retaining customers becomes a higher strategic priority than during good times. It can mean the difference between thriving—or just barely surviving.

Medical device product and service providers that have established themselves as customer loyalty and growth leaders develop a sales and service team that consistently rates high in two key areas:

- 1) **Business / Relationship Impact:**
The extent to which a medical device company builds deeper, trust-based relationships that add value by understanding customer needs, delivering results-producing solutions and helping them achieve personal and/or business goals.
- 2) **Product / Service Differentiation:**
The extent to which a medical device company can communicate the unique value of its offerings in improving patient outcomes and/or the quality of healthcare delivery as compared to alternative solutions in the market.

The Value Segmentation Model is a tool for assessing how your customers perceive the level of value your organization is currently creating for them.



How The Value Segmentation Model works:

Suppliers

Let's start by assuming some of your customers perceive your organization as a *Supplier*. This group represents your transactional customers because they perceive your products and services as a commodity. They prefer to keep your relationship at arm's length. These present your most vulnerable position because *Supplier* relationships are likely to result in significant customer attrition and undermine growth.

There are some actions you can take with your sales and service professionals to enhance the value delivered to these customers.

- 1) You can increase your team's capabilities in demonstrating the uniqueness of your products and services compared to competitive offerings.

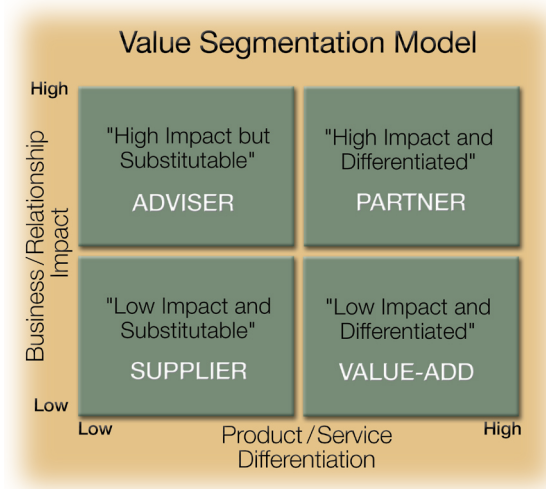
- 2) You can improve your team's relationship building skills by helping them develop trust, credibility and rapport. This will enable a deeper understanding of the personal goals of your customers.

Both of these options will improve the value you create for customers and, with it, customer loyalty.

Value-Add

Some of your customers may perceive your organization in the *Value-Add* quadrant. This occurs when your sales and service team is effective at communicating the uniqueness of a wide-range of your products and services. Although satisfied, customers who perceive your organization in this manner aren't likely to have much loyalty. Since trust-based relationships have not been established, they may move-on if they discover a competitive offering of equal or greater value.

Where the majority of customers perceive your organization as *Value-Add*, you need to develop the customer-centricity within your culture. This will help your team to build stronger, value-based relationships. Unless you deepen these relationships, customers probably won't recommend your organization to others—one of the key indicators of loyalty and an important driver of new customer acquisition. Customers who perceive you as



Value-Add appreciate the differentiation of your products and services. They will often buy multiple solutions if you are price competitive. When a service team can identify unspoken customer needs—those delivering value beyond your products and services—they can help you to elevate your position from the *Value-Add* quadrant to the *Partner* quadrant. Doing so will reduce customer attrition and increase new customer acquisition.

Adviser

Customers that fall into the *Adviser* quadrant have developed an emotional bond with your organization and your people. This trust-based relationship is the result of the value created by your sales and service team. This group of customers is more loyal than others who perceive your organization as a *Supplier* or *Value-Add*. They are also more likely to recommend your organization to others—another key factor for measuring customer loyalty.

A potential weakness in the *Adviser* quadrant is the perception of your products and services. Because they may not be perceived as unique, it is still possible for a customer in this quadrant to go elsewhere to acquire another company's differentiated solution. However, by more effectively leveraging the information and insight gained from a trusted *Adviser* relationship, your sales or service team can transform the relationship into *Partner* quadrant. To do so, they must learn to more effectively communicate the value of your products and services as compared to your competition. This will have a dramatic impact on your organization's growth and your profit margins.

Partner

As you may have concluded, the strongest emotional bonds are created with customers who perceive you as a *Partner*. Customers in the *Partner* quadrant value the trust-based relationships they have established with your organization and people. They also perceive that their wants and needs are being satisfied by differentiated products and services. With this group of customers, your sales and service team has maximized value by developing intimacy and effectively delivering differentiated solutions. Customers that perceive you as a *Partner* have the highest levels of loyalty and become "promoters" of your organization—a key metric correlated with profitable revenue growth.¹

The ability to create emotional bonds with your customers is the X-factor that drives customer loyalty. Research by the Gallup organization (and others) has revealed that there are three types of customers: *dissatisfied* customers, *rationally satisfied* customers and *emotionally satisfied* customers.² *Dissatisfied* and *rationally satisfied* customers behave in similar ways in that neither has any loyalty to your organization. Your *rationally satisfied* customers will behave like *dissatisfied* customers and take their business elsewhere if and when they are given a better price by your competition.

Only your *emotionally satisfied* customers will remain loyal and be willing to pay more for your solutions than alternative products and service offered by your competition. They are also more likely to endorse your organization to others.

So what is it that determines your service/sales team's ability to create these emotional bonds?

It's their ability to build trust-based relationships with quality products, services and expertise that exceed customers' needs and expectations.

Customers in the *Adviser* and *Partner* quadrants have stronger emotional bonds with your organization (and employees) than those in the lower quadrants. To enjoy the benefits of customer loyalty and establish a competitive advantage, your organization must increase the number of customers in the upper quadrants. It's that simple.

Implementing strategies to create a customer-centric culture will build a foundation that creates customer value, making it possible to achieve the highest levels of loyalty.

Notes:

1. F. Reichheld, "Loyalty Rules!", *Harvard Business School Press*, 2001
2. J. Fleming, C. Coffman, J. Harter "Manage Your Human Sigma", *Harvard Business Review*, 2006

For our white paper on how to create a customer-centric culture, visit our website at www.IntegritySolutions.com.

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