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BACON BAPS BUILD BUDDIES

DRIVING RELATIONSHIPS
WITH CUSTOMERS AKIN TO
THOSE OF FRIENDSHIPS

Article by:

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Article at a glance

In the age of consumer capitalism it's bewildering as to why so many companies offer bland, inconsistent and poor customer experiences. Delivering a consistently good service shouldn't be difficult after all it's not rocket science. There is a lot of "noise" in the customer loyalty and experience space. Advertising agencies and loyalty companies work hard at convincing companies that they need to entice and lock customers in with clever advertising and elaborate loyalty point schemes. But do loyalty schemes really result in customer loyalty? The reason I lack faith in customer loyalty campaigns and point schemes is that at the end of the day I'm not sure if customers are being rewarded for their loyalty or being blackmailed into staying.

Loyalty schemes do, however, have their place, with some companies running excellent schemes. Tesco Clubcard is one of the notable exceptions and I'll talk about the excellent work they are doing later. But more needs to be done to align the customer experience if companies want to build meaningful relationships with customers.

In this article Dean van Leeuwen, Co-Founder of TomorrowToday International and partner in our London office, shows you how to build relationships with your customer akin to those of friendships using three universal rules. He also gives examples of companies that are achieving great results doing just this.

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All good stories begin with...

Once upon a time, there was a man who ran a small, but very successful bacon bap stall at a village's farmers market. He spent time getting to know his customers and everyone knew him. He was famous for serving the thickest, tastiest bacon rolls around. People happily queued around the corner for the fresh, warm rolls, the high quality bacon, the homemade organic sauces and the generous extra pieces of bacon. One day, the man's son visited from the big city. He was shocked when he saw how generous his father was with the bacon and toppings and how much time he spent idly chatting to his customers rather than focusing on the next customer.



“Dad” he said, “don't you know there has been a Great Recession?” People are cutting back on indulgences. You must prepare – streamline your operation, cut costs and make a bigger profit.” The man was shocked. He has not felt the impact of the Great Recession. His queues were still long and his customers seemed to be happy to buy his products. “Oh dear,” he panicked. “I had better cut costs and prepare for the impact of this recession. I must listen to my wise son from the big city. He works in finance, he knows what he is talking about.”

So the man stopped using organic bacon and baking his own fresh rolls and instead he bought his supplies from a wholesale store. He stopped offering the generous extra slices he'd always offered with love. He worked out a system that involved precooking the bacon so he could serve customers more quickly thereby reducing the time spent talking to them. The weeks passed by. The queues shortened and the customers dwindled. “My son was right” thought the man. “My sales have declined, the impact of the recession has hit the village.”

Did the man's sales decline because of the recession or, did his sales decrease because customers were no longer getting the great customer service and experiencing the big, juicy, mouth-watering bacon rolls they expected from the little stall in the park? Hint, it's not a trick question.

The beginning of this story is not that dissimilar to the way most businesses were run sixty or seventy years ago. Back then most businesses were small family run affairs. The owners built relationships with their customers and knew their personal lives well. The advent of the large modern professionally managed corporation changed this and as a result business became much less personal.

But customers' desire for personal relationships and connections has remained. This is

one of the reasons why we believe social media has taken off like wild fires. People seek relationships, even with companies. They want a place to be heard, a place to be appreciated and a place to connect. New social technologies are allowing us to take relationships with customers to higher levels. Connecting with customers personal values can place you ahead of the competition in winning the hearts and minds of your customers. Rather than building customer loyalty, companies need to take a step back, raise their game and start the long but rewarding task of building not loyalty but relationships with customers akin to those of friendships.

Building friendships with customers

When referring to building friendships I'm not using the term in a kumbaya let's hug each other way. Nor is it being used glibly like creating a Facebook page and inviting your customers to become "fans" of your company. Which seems to be the latest fad in quest for customer loyalty. If a Facebook page and Twitter feed is the next big thing in your customer relationship strategy then be prepared for what my colleague Barrie Bramley calls "friendships without commitment."

Rather when I use the word friendship I'm referring to companies having a genuine interest in the customers that make their business possible and connecting with them on a personal values level. The affinity you build with your customers should be no different from the relationships we build with friends every day of your life. The principles should be the same, business is after all about people or at least it should be.



Let's think about how we build friendships in the "real world." Humans are sociable by nature. We enjoy conversing with others and learning and sharing new ideas; we long to be accepted and understood. We are drawn to people who display similar values. When we meet someone we make a split second judgment call. If we like them we begin to explore a new relationship. Tentative steps are taken to ascertain what kind of friend they will be. We judge the person's appearance, their character and interests and their values. If there is a mutual magnetism we move on to the next level.

This process of developing a friendship is not that dissimilar to how customers approach a company. When they interact with a company they make a judgment call about the brand's appearance and experience. Does the style, the tone of the communication, the words being used make a connection? They look for the human persona of the company, what story does it tell about itself, if any? They want to know more about the company and

what it stands for, does the company's values connect with their own values? Do they like what they see and hear, would they benefit from investing in the "relationship" or should they just "use" the company?

We build personal friendships over time and as these relationships become more personal a sense of loyalty does develop. In our personal friendships we do not offer loyalty schemes or points. Imagine having a friend who awarded you points for every time you came around to visit. Wouldn't you find a friend like that a little weird and how long would the relationship last? Of course there are rewards to friendship so there is nothing wrong with rewarding loyal customers, but loyalty and rewards are a result of friendships not the other way around.

Friendships take time to nurture and develop so if you are looking to create loyal customers it has to be a long term strategy that permeates through the entire company and becomes part of the DNA, how you do things around here. Bottom line is if companies want loyalty then they need to build friendships with their employees and customers first.

But this task is huge, how can companies do this?

I recently came across a study by Michael Argyle and Monika Henderson at Oxford University on friendships. They identified three universal rules of friendship, which were published in the Journal of Social and Personal Relationships. The rules state that friends must:

Rule No 1: Provide support

Rule No 2: Share dreams and aspirations

Rule No 3: Be tolerant of other friendships.

These are universal rules found in any friendship and they can be applied in any business. Diaper.com, Zappos, Tesco and Prufrock Coffee are examples of four successful companies which demonstrate the application of these rules and they all have two things in common - happy shareholders and happy customers:

Diaper.com

Started by two Dads in 2005 diaper.com is an online retailer for diapers and baby care products in the US.

All customers are referred to as Mom (or Dad) and this makes interactions and growing relationships much more personal. Unlike most websites, diaper.com doesn't hide their telephone number but actively encourages customers to call them. They have a rule of finding the product a customer wants even if it means getting the product from another competitor, clearly demonstrating adherence to friendship Rule No. 3 – tolerate other friendships. Customer service people are all in-house, can be contacted 24/7 and they are empowered to take care of Mom at whatever cost. The only rule in customer care is if Mom



calls and there's an issue, do whatever is necessary to make her happy. In one case a Mom really needed a car seat for the weekend, and there was no way UPS was going to get there on time, because UPS only delivers late in the day to where the customer lived. But UPS came early to the customer service rep's home. So the rep had it shipped to her house in the morning, and then she drove it over to the Mom's house. A great example of rule No. 1 – provide support.

Bottom line result: Within five years they have grown their operation to include 300 employees and annual sales of over \$180 million. Diaper.com is the leading online retailer of baby care products and has over 500,000 customers of which 300,000 are regular repeat monthly shoppers.

Zappos

Founded in 1999, this online shoe and fashion apparel retailer. Rather than sell shoes, CEO Tony Hsieh believes that Zappos has created a community, powered by service, where people who are passionate about shoes (both employees and customers) can come together to share their dreams and aspirations. (Rule No. 2) Zappos were pioneers in Social Media campaigns. They not only allow but also encourage open and transparent communication across all social media platforms. Most employees are active on Twitter where they are encouraged to talk about the company and their experiences. This has had an important impact as it shows that the company trusts its employees and in turn America trusts and loves the company. Their tweets and YouTube videos are some of the most viewed social media clips (Tony Hsieh has over 1.5 million followers on Twitter). Cleverly Zappos has used social media to give the company a human persona, making the interaction friendlier and importantly does not push its products on Twitter or YouTube.

Bottom line result: Sales of over \$1 billion within eight years. In 2009 Amazon bought Zappos for \$946 million. Rather than absorb the brand and eliminate a competitor, the company remains independent of Amazon because of its unique customer service culture. Zappos has 7.4 million total customers, and 3.3 million of them have made a repeat purchase in the last 12 months. Over 75% of purchases come from returning customers.

Tesco

Tesco is the UK's leading retailer and the Tesco Clubcard is considered the best in the industry. Tesco analyses purchasing behaviour of its clients and when, for example, a family begins purchasing baby formula more than once, the obvious conclusion is that there is a newborn baby in the house. To support a more harmonious family environment Tesco sends these customers coupons discounting the price of beer and wine. They know from research that families with newborn babies spend more time at home and less at the pub. Now that is a brilliant and I'm sure much appreciated example of Rule No1 – provide support, being applied. But there is a lot more to building relationships with the Tesco community than just its Clubcard loyalty scheme as this next story proves.

After the devastating floods in Cumbria at the end of 2009, the town of Workington was cut off when the town bridge was washed away. Gaining access to basic commodities

become very difficult as shops were on the other side of the bridge. Tesco came to the community's rescue and built a temporary store within just two weeks. The store itself was constructed in less than 24 hours using a modular prefabricated design. In addition Tesco Clubcard vouchers were given to the Workington community to assist them in buying their daily necessity. Tesco did not need to take this action but did so even though it was at great additional expense. Isn't this what good friends are for? They go the extra mile without even being asked. This is a great example of Rule No 1 in action and shows how building relationships in Tesco is part of the ethos of the company and not just the responsibly of a loyalty scheme.



Prufrock Coffee

Gwilym Davies co-owner of Prufrock Coffee and the current World Barista Champion. Gwilym is passionate about coffee and want to share his passion with as many people as possible. But he doesn't just want people to try his coffee so he has invented the "disloyalty card." The idea is brilliantly simple. Gwilym has scouted around and found what he believes are the eight best coffee shops in London. He then developed a loyalty



card with the names and addresses of each shop. All you need to do is get a stamp on the card for visiting each of the eight competing quality focused coffee shops and after visiting the eighth "friend" (Rule No. 3 – tolerate, even encourage other friendships) he will say thank you by making you a cup of his own coffee for free. There is no catch Gwilym just wants people to try different quality coffees and to fall in love with coffee.

Building customer loyalty is like Herding Cats, impossible

The above companies provide great examples of building friendships. The focus on relationships is important because our research is reveals that you cannot make customers loyal. It's a fallacy to think you can, achieving customer loyalty is as easy as trying to herd cats - impossible. There are several reasons why achieving customer loyalty is so difficult:

Firstly, customers have changed. The Great Recession has had something to do with this. A recent research survey by Citi reveals that up to 75% of customers believe their attitudes towards saving and purchasing products has changed forever. But there is a bigger reality behind these changing attitudes than the recession and it's the result of a generational shift. Baby Boomers are retiring; Gen X is entering midlife with children, mortgages and responsibilities; and Gen Y is entering the workforce on mass. This may not appear to be a big thing at first but it represents a massive social shift in values. The consumer

landscape is changing dramatically and will continue to do so for the next few years.

Younger generations are bring with them their own values, attitudes and shopping behaviours. It's important to recognise that young generations do not become the same as the older generation as they themselves get older. The easiest way to understand this concept is to appreciate that you are not going to become your parents just because you get married, have kids or retire. Each generation has it's own worldview, it's unique value system, shaped and formed by the world events that influenced their lives during the formative years as they were growing up.

Gen X and Gen Y are also more educated, astute and cynical consumers than other generations. Not even Apple with its miracle iPad tablet and devoted followers can say they have achieved the holy grail of loyal customers. If Sony, Google or Blackberry were to launch a better, hipper and newer concept these generations will not think long before deserting Apple. These generations are also not sentimental and recognise that the world changes quickly so products and brands need to evolve at the same rate or become defunct. These generations are concept loyal not brand loyal. Up until now Apple has cleverly surfed the crest of the tsunami they are on, wiping out competitors and lapping up eager customer, but should they rest on their laurels it will be amazing to watch how quickly even a great brand like Apple will fall.

The final reason why I believe you can't achieve customer loyalty is because after years of neglect and apathy towards customer relationships, customers are now jaded towards loyalty schemes. There is also the issue of trust or lack there of. The Great Recession has proven one thing to consumers you can't trust companies to do the right thing.

So if you can't get customer loyalty or it's going to become increasingly difficult to achieve, then why spend millions of pounds trying? After all loyalty programs require a huge investment, both initial and ongoing. There is also a risk that you create loyalty not to the brand, but to the scheme itself. The answer to this question is simple - don't! If your loyalty scheme is not an integral part of the overall customer experience and more importantly if your loyalty scheme is the driver rather than a supporter of your customer experience and relationship, then scrap it now and save yourself the money.

Rather than focus on loyalty our research has identified the importance of making business more personal, revealing it's human persona. Making your business more personal is going to become an important way of becoming more approachable, regaining consumer trust and achieving competitive advantage.

Steps you can take:

To build friendships here are six steps you can take:

1. Hire the people who make good friends: Build questions about friendships into your recruitment and selection process. You want to be hiring people who value friendship and are good at making and keeping friends.
2. Encourage the use of Twitter and other social media platforms. Allow your staff to communicate with customers. Trust you employees to do the right thing and encourage them to share their dreams and aspirations with customers. Trust is crucial

for any relationship. If you can't trust your employees you can't expect your customers to trust you.

3. Don't use social media platforms to push your products. Share dreams and aspirations and don't hog the communications with just stories about your company.
4. Use crowdsourcing and invite your customers to help you build new and improve existing products. Crowdsourcing gives customers a vested interest in your brand and products you are developing. This makes them feel valued and appreciated
5. Undertake a friendship audit. Identify gaps and then build your customer relationship strategies using the 3 universal rules of friendship.

Final thoughts

Customer service is an age-old game. Benjamin Franklin once said:

"Recommend your goods, and always observe to keep within the rules of decency. If customers slight your goods, and undervalue them, endeavour to convince them of their mistake, if you can, but not affront them: Do not be pert in your answers, but with patience hear, and with meekness give an answer; for if you affront in a small matter, it may probably hinder you from a future good customer."

Franklin was a visionary, an Outlier as Malcom Gladwell would say, but not even he would have known how prophetic these words would become in our new world of online sales, virtual worlds and social media. Today because of the explosion of smart phones and social media, even the smallest customer service transgression can be aired across the blogosphere and within minutes an army of supporters are spreading the word. As the power shifts to the consumer, companies are finding it increasingly difficult to pay lip service to customer experiences. The winners will be those that view these changes as positive and develop a culture of customer friendship.

This is not an easy task. A friendship is a two-way street involving committed communication in both directions, the sharing of dreams, aspirations and tolerating even encouraging other friendships. This is not something companies have been good at doing. Nor have the means been available for companies to engage with their customers in his manner. But now the Internet and new social media innovations make it possible for companies to enter into meaningful two-way relationship with their customers. Business is about people, at least it should be, and so there is a possibility of a friendship of sorts - a connection of values between a company and their customers. When we make friends we build relationships with people who share our values, our outlook, our interests - people who demonstrate that they are on a similar wavelength to us and most importantly are interested in us in a mutually beneficial way. The crux here is to make your business more personal, share your company's story with your customers. Focus on connecting with people on a more personal values level because at the heart of a values-focused company is the promise of a mutually beneficial relationship.

You can read more of my thoughts on this issue in the white paper I wrote called **Onions and Parfait: Why customer relationships no longer need to be a thing of fairytales and pirate stories** by clicking on this link.



ABOUT THE AUTHOR

Dean is an intellectual adventurer, social ecologist and scholar of the new world of work. He has an insatiable appetite for discovering how businesses can become more successful and increasingly contribute to society. His real gift is an ability to take complex information and present ideas in a way that makes them practical.

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