



# The Relationship Factor

## Building Your Business by Developing Customer Loyalty in a Virtual Environment

**The** virtual business industry has taken off with a big bang over the course of the last few years. New, low cost, no cost systems are now available for use by virtual business owners to help keep you at the top of your game. New technology has given the virtual entrepreneur the ability to offer products and services from a virtual environment that would have been difficult, if not near impossible, just a few years ago.

### **A few advantages of being a virtual business in today's economy-**

1. You work out of your home office-no travel, no weather concerns, no traffic worries
2. You save expenses-car maintenance, public transportation, etc.
3. No store front costs, no signage, no need for maintenance or repairs
4. You can become specialized and work in areas of your expertise, your jobs, your time, your way.

There are some challenges, however, with being in business that will never change. One such challenge is the ability to grow and maintain a good customer base that will provide consistent, profitable income. Some of the same advantages that are so appealing to working in a virtual business environment can also create some unique difficulties in building and maintaining a loyal client base.

### **A few challenges in building and maintaining your customer base in the virtual world-**

1. Because you work out of your home, you do not have the benefit of the additional visibility that a storefront environment would provide.
2. Unless most of your business is local, your word of mouth referrals are somewhat limited



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compared to a local, visible business presence.

3. Because most of your marketing takes place in the on-line environment, a great website and reliable, on-line communications becomes imperative.
4. Establishing a personal relationship as a business professional in the virtual environment is a bit more challenging than it is when you can shake a hand, buy a cup of coffee, or hold a conversation with a potential customer in person.

So what does all of this mean to growing your business? It means that building and maintaining a great customer **relationship** is more important than ever. Customers are hard to come by and once you have them, it is vitally important that you build the type of relationship with them that will keep them coming back to you. You build your business by developing strong customer loyalty.

## **What is Customer loyalty and why is it so important?**

Customer loyalty is the strong bond that is created between a customer and a company that leads to a consistent, profitable purchasing behavior by the customer. Retention occurs when a customer has developed a commitment to a brand despite opportunities to go elsewhere for lower prices on the same or comparable services.

Many confuse the terms "Customer Loyalty" and "Customer Retention." Customer loyalty leads to customer retention but customer retention; itself is less likely to occur without customer loyalty.

## **Do I really need a Customer Loyalty program?**

Let me answer this question with some eye popping statistics. It is five to seven times more expensive to gain a new customer than it is to retain an existing one. Each year a typical business loses 10% to 15% of their customers. A business that loses 15% of their customer base annually would double their growth rate by cutting their defections in half. Existing customers purchase more, purchase more often and refer others to your business. In other words, how can you justify *not* implementing a program?



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Establishing a Customer Loyalty program takes customer retention to the next level.

## Why do we lose customers?

Most marketing strategies are set in place to attract new customers. It is an unfortunate fact that we do not keep all of the customers we initially do business with. Your reasoning may be that a customer purchased your product or service and appears to be satisfied. So, why wouldn't the customer always come back to you? You may consider the products or services you provide top notch, but is that the most important factor your customers consider when deciding to purchase again?

There have been many studies done on customer loyalty and why a customer defects to a competitor. Results of the surveys have been consistent. The top two reasons customers stop purchasing from a specific company are;

1. Customers believe that their supplier no longer cares about them nor values them as a customer.
2. The customer has had a poor customer service experience with the supplier.



While customer defection to a competitor is seen as an unfortunate reality of business, you should take heart in noting that your customer defection rate can be positively impacted if you are willing to make a few changes to the way in which you do business.

## Why isn't providing great customer service enough?

Most businesses strive for good customer service metrics and feel that this is the most important component in establishing a long term customer relationship. While customer satisfaction is a key factor, by itself, it is not the only component in establishing strong customer retention. Evaluating your present customer service practices is certainly a great first step.

However, it is also important to understand that a positive perception of product or service *value* is also an important factor in building customer loyalty. As an example; the product or service value I receive as your customer is not just represented by the money I give you to perform the service. The value to me, as your customer, is also represented by the

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problem that you solve for me, the effectiveness and longevity of the solution, etc.

### **How can I have a positive impact on my customer's sense of value?**

Since your customer service practices and your product or service quality go hand in hand, you can influence your customers perception of value in several ways.

Finding the answers to these questions may help you determine how your customer's currently view you.

1. How does my company respond to customer complaints?
2. How does my company insure that our customers are satisfied *after* a purchase?
3. How does my company show appreciation for our customers continued loyalty?
4. How often does my company communicate with our customers to show continued interest in their needs or concerns?
5. How does my company convey to our customers that they are our most important asset?

On-going communications with your customers is very important to the



Customer Loyalty relationship equation. It becomes even more so when you are working within the virtual environment. Frequent, direct communications is the best way to maintain contact between your customer and your company between purchases. This may take the form of a phone call, letter, e-mail, mailer, etc. Maintaining consistent communication between purchases establishes a connection of perceived value outside of the purchasing experience.

### **How important is the price of my service in keeping my customers?**

Many business owners consider price as the most important component in keeping sales coming in, especially in today's marketplace. In order to stay competitive and retain their customers, an assumption is made that if prices are not kept as low as possible, customers will go elsewhere.

The right price for a product or service is always a consideration. Generally, however, having higher prices than your competitor is not as much of an issue to your customers once value, trust and reliability have been

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established. In the list of reasons why customers defect, price is ranked #3 behind dissatisfaction and perception of supplier indifference. Savvy customers realize that there is usually a tradeoff between product/service quality and product/service price.

### **How do I choose a good Customer loyalty program strategy for my business?**

In order to develop the best Customer Loyalty program for your company, you need to know what your customers want. The best way to find out is to ask them. I know of several companies that ask permission to provide a brief survey for the customers input after a call or the purchasing experience. Princess Cruise Lines and Applebee restaurants are among them. While these are not virtual businesses, the methodology remains the same. You will get a better response rate by interviewing your customers one on one. However, a survey may also be administered by e-mail with relatively good response. An important criterion of a survey is to keep it simple and easy. First, determine the type of survey to use in order to receive the type of information you are looking for.

As an example, questions on a simple customer satisfaction survey may look something like this:

1. How satisfied are you with the purchase of our product or service?
2. How satisfied are you with the customer service you received when you purchased the product or service?

Have your customer's rank you on a scale of 1 to 6 as it gives more specific information.

3. Would you recommend our company to others?  
Yes                      No                      Why or Why not?
4. How likely are you to purchase the same or a different product or service from us again?  
Very                      Not Likely                      Why or Why Not?
5. On a rating of 1 to 6, how satisfied are you with our company overall?

Surveys can also be conducted to find out how your customers feel about a specific product or service you provide. Or perhaps, you may want information regarding specific areas support you provide such as your social media marketing support or your answering service support. Develop

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questions specific to the information you want to gather and submit your survey to a cross section of your customer base in order to get a more accurate, overall picture of what your customers think. Based on the survey responses you can evaluate your customers' perception of your product you produce or the services you provide.

### **How do I use my survey information to develop a Customer Loyalty program?**

Creating a good customer-focused Customer Loyalty program starts with being informed and creating customer focused objectives. So, now that you have all this great data, what do you do with it? Since the objective of a Customer Loyalty program is to help your company build a strong, bonding relationship with your customer, it is important to take action in those areas where your survey indicates your company may be lacking in communication or service. Developing a loyal customer relationship is built on customer received value through communications and interaction. A loyal customer is built over time, not with a one touch product campaign.

Based on the findings of author William J. McEwen, in his book *Married to the Brand: Why Consumers Bond with Some Brands for Life*, he lists four consistent components of a good Customer Loyalty program;

1. Confidence in the company (the company will do what they say)
2. Integrity (how fairly the company will treat its customers)
3. Pride (to be associated with your brand and to be your customer)
4. Passion (the emotional element-how does the customer interact with your brand?)

I will add a 5<sup>th</sup> component-Customer Satisfaction.

What it all comes down to is this; customer loyalty is based on the emotional attachment to your company brand felt by the customer. How well you build that attachment determines the customer loyalty to your company. The deeper the customer attachment, the more reliable the profit performance indicator will be.

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## **What if I don't have time to maintain my Customer Loyalty Program?**

Owning and running a business yourself is a time intensive job. It is often difficult to fit in all of the tasks that need to be done on a day to day basis, especially if you are a sole proprietor. I can understand that adding one more task to the list appears daunting.

There are many companies that provide services to help you implement and maintain a Customer Loyalty program. Some companies offer complete consultation services to help you design a custom plan of action and put the plan into play for you. They will then help you monitor results, adjust your plan, if needed, and help you by administering your whole program.

## **Is the effort of creating a Customer Loyalty program going to be worth it?**

I can answer you with a resounding YES! Creating a good Customer Loyalty program may sound like a lot of hard work. To some business owners, it may also appear to be difficult to maintain and too expensive to implement. However, establishing and maintaining best business practices that focus on customer satisfaction and customer value relationships are the foundation on which every successful business is built. Numerous studies indicate that regular communications with your customers, based on the right Customer Loyalty strategy, increase your opportunities for growth.



Some of the benefits of a good Customer Loyalty program include:

- Increased sales volume
- Happy existing customers refer new customers
- Loyal customers establish a competitive advantage
- Gives you the opportunity to market additional products or services with product value and company reliability already implied
- Generates higher volumes of repeat business
- More frequent spending from existing customers at a higher purchase rate
- Loyal customers are less price sensitive so high profit margins can be made

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Putting a good Customer Loyalty program in place initially is hard work. Customer Loyalty comes at the price of continuous and valuable communications with your customers. The payoff, however, will be well worth the undertaking. The extra time and effort it takes to implement and maintain a Customer Loyalty program will help your business grow and prosper better than any other marketing program you can implement. Start yours today!

## **About the Author**

Sherry Newman is a business consultant, coach and mentor. Sherry has authored the articles; Hiring a Virtual Assistant-A Lifeline for Many Businesses and A Virtual Dilemma Solved. Sherry is a certified Coach and Facilitator for Masterminds and Mentors. Masterminds and Mentors is a dynamic accountability program that uses a proven methodology to help small business owners and entrepreneurs develop goals and implement processes to increase business profitability.

Sherry worked in the sales and marketing industry for over 25 years, helping small business owners and entrepreneurs develop advertising programs in print and internet media. Sherry has received many awards for her sales performances as a sales professional and sales manager. She has also attained certification as a virtual Event Specialist, and a Product Launch Specialist. Sherry enjoys doing business stories through video as a hobby. She owns her own virtual company, VA Business Services 4U.

Sherry is also the host of the Blog Talk Radio show; Masterminds Coach.

## **A Special Message from Sherry Newman**

As a small business owner myself, I understand the challenges that entrepreneurs are facing today. New customer growth and existing customer retention is serious business when it comes to meeting sales quotas and business goals.

It becomes difficult to manage all of the responsibilities that are required of you on a day to day basis, to achieve your desired results. Both personal and professional obstacles often stand in the way and it is sometimes difficult to overcome these obstacles by yourself. Many times, it feels like we are faced with doing the impossible.

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To help you move forward and get things done, you may want to consider participating in a Mastermind program. A good Mastermind program will help you eliminate the road blocks that are in the way of your desired success. Not only will you learn how to use new tools to eliminate obstacles, but you will challenge yourself by setting personal and professional goals to achieve success. And, you will be held accountable for accomplishing your committed goals.

Get started today on putting your plan in place. Print and fill out the Plan of Action worksheet entitled **Developing a Plan of Action for Customer Loyalty**. **I** am ready to help **you** do the impossible. **Are YOU ready?**

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