

PUT LOYALTY (THE RIGHT KIND) ON YOUR CHRISTMAS LIST

If you're thinking of asking Santa to bring you "loyal" customers this year, make sure you're asking for the right *kind* of loyalty. No doubt, some types of loyalty are better for your business than others. Consider these four types:

No Loyalty

For varying reasons, some customers do not develop loyalty to certain products or services. For example, I know a manager of a travel agency who goes anywhere in town to get a haircut---just as long as it costs him \$10 or less and he doesn't have to wait. He rarely goes to the same place two consecutive times. To him, a haircut is a haircut regardless of where he receives it. (The fact that he is almost bald may have something to do with it!) His low attachment toward hair services combined with low repeat patronage signifies an absence of loyalty.

Contrasts this to a friend of mine who lives in New Jersey and drives two hours round trip into the city every six weeks for hair color services. Each trip costs her in excess of \$90 for hair services and \$22 for city parking. While less expensive, more convenient hair care services are readily available closer to her home, she feels strongly about getting the 'right' hair color service and perceives the Manhattan salon as clearly superior to other service providers.

There's no question you want more customers like my hair color friend and less like the travel agency manager. Generally speaking, businesses should avoid targeting 'no loyalty' buyers because they will never be loyal customers; they will add little to the financial strength of the business. The challenge is to avoid targeting as many of these people as possible in favor of customers whose loyalty can be developed.

Inertia Loyalty

A low level of attachment to your product or service coupled with high repeat purchase produces inertia loyalty. This customer buys out of habit. It's the 'because we've always used it' or 'because it's convenient' type of purchase. In other words, non-attitudinal, situational factors are the primary reason for buying. These buyers feel some degree of satisfaction with the company, or at least not real dissatisfaction. This loyalty is most typical for frequently bought purchases. It's exemplified by the customer who buys gas at the station down the street, dry cleaning from the store down the block, and shoe repair from the nearby cobbler. These buyers are ripe for a competitor that can demonstrate a visible benefit to switching. It is possible to turn inertia loyalty into a higher form of loyalty by actively courting the customer and increasing the positive differentiation he or she perceives about your product or service versus others available. For example, a dry cleaner that offers home delivery or extended hours could make its customers aware of this fact as a way to provide differentiation of its service quality versus that of competitors.

Latent Loyalty

A high relative attitude combined with low repeat purchase signifies high latent loyalty. When a customer has high latent loyalty, situational effects rather than attitudinal influences determine repeat purchase. For example, I'm a big fan of Chinese food and have a favorite Chinese restaurant in my neighborhood. My husband, however, is less fond of Oriental food, and so despite my loyalty, I patronize the Chinese restaurant only on occasion and we go instead to restaurants that we both enjoy. By understanding situational factors that contribute to latent loyalty, a business can devise strategies to help combat them. For example, the Chinese restaurant might consider adding a few all-American dishes to its menu to pacify reluctant patrons like my husband.

Premium Loyalty

Premium loyalty, the most leverageable of the four types, prevails when a high level of attachment and repeat patronage coexist. This is the preferred type of loyalty for all customers of any business. At the highest level of preference, people are proud of discovering and using the product and take pleasure in sharing their knowledge with peers and family. Loyal Swiss army knife users are constantly telling friends and neighbors how valuable the knife is, how many handy uses it has, and how often they have used it in a day, a week or a month. These customers become vocal advocates for the product or service and constantly refer it to others. When I was starting my business, a friend was newly inspired by the Quicken software program that automates one's checkbook. He insisted on bringing his program over and demonstrating it to me on my computer. He was displaying premium loyalty. No doubt, the internet and its chat room type exchanges have spawned premium loyalty for many products and played havoc with others.

Bottom line, to earn as much premium customer loyalty as possible (1) attract and keep as few 'no loyalty' customers as possible, (2) find ways to leverage latent loyalty and (3) upgrade customers with inertia loyalty into premium loyalty by finding new and better ways to increase the degree of preference (the extent of the customer's conviction about the product or service) and the degree of perceived product differentiation (how significantly the customer distinguishes the product or service from alternatives) for your products and services.

Embrace these three guidelines to building premium loyalty and you'll be on your way to having a Merry Christmas all year long.