

# Focus on **Building**, not **Measuring**, Loyalty



1220 Sheppard Avenue East, Suite 100  
Toronto, ON M2K 2S5 Canada



info@andishere.com  
www.andishere.com



800-461-3924



While many organizations cite loyalty or customer experience as top strategic priorities, surprisingly few firms are fully realizing the potential value from their programs. Why?

It's not the concept of loyalty or customer experience itself, but rather the way customer experience programs are being perceived, designed and implemented. Too often, these are run as "research" programs (by research or marketing departments) and not "business" programs (by cross-functional teams of business executives). Research-oriented programs have benefits, but to achieve true ROI from the time and money spent, the primary objective needs to be business results that drive actions, policies and investments to actually improve—and not just measure—loyalty.

## Improving Loyalty

Most organizations focus on measuring loyalty when they should be focused on business outcomes and making changes to improve loyalty.

Often, the primary objective of a customer experience program is to "track NPS" or report certain loyalty metrics to executive management. These programs are geared toward collecting and reporting data, which is a different objective than taking sustainable actions to actually improve the customer experience across all areas of the organization that affect loyalty. Furthermore, many vendors used for loyalty programs are software or market research firms, which specialize in data collection but are not always driven by the ultimate business objectives of a successful program: business results and culture change. And to make things worse, when loyalty scores do not change, many financial firms keep making the mistake of changing the vendor used every few years instead of changing the way they think about loyalty.

In order to provide insights that enable employees to make better decisions that improve customer experience and increase customer loyalty, there are two key questions executive leadership needs to answer:



**What decisions do employees make that impact customers?** The answer is nearly every decision: technology, pricing, personnel, compensation, service, channel mix, compliance, etc. A truly effective customer experience management program needs to support decision-making in all of these areas, not just front-line service. Best practice is to create executive steering groups that represent the diverse functional areas that impact the customer. Are the heads of compliance, operations and technology actively involved in your loyalty program? If not, they should be.



**How do you actually build customer loyalty?** Loyalty is built by having employees consistently and repeatedly make better decisions across all areas of the organization, so that customers begin to change their attitudes, opinions and behavior in a positive way. As such, the focus needs to be on action planning, training and using incentives to properly align employee behavior with the drivers of customer loyalty. That's how employee alignment and culture change can occur in the right direction. (And it can be very costly for companies if employee behavior is not properly aligned with drivers of customer loyalty.)

Since building loyal customers requires developing and implementing action plans across nearly every area of the organization, customer loyalty programs should be geared toward enabling a broad action-planning process. Organizations need to understand the fundamental disconnect between a measurement objective and a change objective. And they should realize if they orient their program around driving change and business outcomes, the measurement component happens anyway. It's a two-for-one special.

## Delivering ROI

Regardless of how an organization approaches the concept of loyalty, return on investment (ROI) should be the ultimate barometer of a program's success. Establishing measures of ROI is critical for one reason: the program ultimately cannot succeed without committed internal champions at the executive level who have a solid business case as to why investing in customer experience and loyalty benefits shareholders. In the end, the program sponsor will—and should—be asked to quantify the ROI of their program.



**Real ROI comes from focusing on developing and implementing action plans in all functional areas that impact the customer experience.**

### ROI measures typically fall into four areas

1



Increasing revenues from existing customers

2



Retaining existing customers (e.g., reducing attrition or "churn")

3



Winning new customers (based on knowing how to deliver an exceptional experience)

4



Cost savings

For organizations that get customer experience right, numerous case studies prove concrete ROI in each of these areas, ranging from five times to over 20 times the cost of the program. Recent studies have confirmed that banking customers with above-average customer experiences are 10%–20% more likely to use the bank for additional products, which could be worth millions of incremental revenues. So while knowing loyalty scores is important, knowing how to effectively implement those actions that improve loyalty is where the real ROI happens.

Real ROI comes from focusing on developing and implementing action plans in all functional areas that impact the customer experience. Higher levels of ROI, in turn, will generate more executive support for the program because executives like increasing revenues, retaining customers and boosting profit margins. Conversely, if organizations continue to have measurement-oriented programs with no clear vision beyond that, executives should be skeptical of the expense—and mindful of the fact that switching data collection vendors or doing more online surveys is unlikely to affect outcomes.

To get higher ROI from your customer experience or loyalty program, change the optics to change the result.

**TO LEARN MORE, PLEASE CONTACT  
US DIRECTLY**

**Phone:** 800-461-3924 **Email:** [info@andishere.com](mailto:info@andishere.com)  
1220 Sheppard Avenue East, Suite 100  
Toronto, ON M2K 2S5 Canada

---

The data reported in this document reflect solely the views reported to AND Agency by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. AND Agency compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.