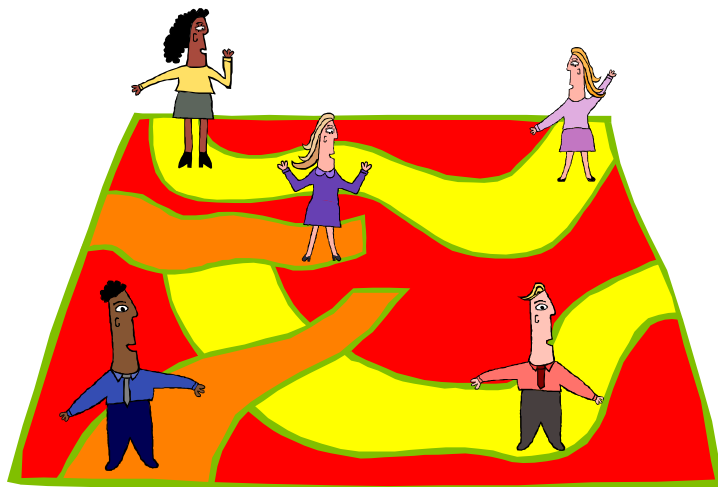


Loyalty Leadership

Leadership is critical to creating a customer-centric organization focused on achieving business results through customer loyalty.

by Dr. Lawrence A. Crosby and Sheree L. Johnson



Customer orientation is at the very center of modern marketing management and strategy. It is now a widely accepted and proven fact that for an organization to achieve consistently above-normal market performance, it must create loyal customers. Although it doesn't show up on a balance sheet, customer loyalty is the greatest asset any company can have. It is an asset that boosts sales, and with a profitable operations model, results in increased shareholder value.

A successful customer loyalty strategy requires that the entire organization be customer-centric—not just the marketing department. It is difficult, if not impossible, for an organization to become genuinely customer-centered if the leadership is not fully committed to the idea. Senior leaders have the big picture view of the organization and have access to the resources to make change happen. They can be focused on the optimization of the whole

rather than the parts. And without their commitment and active participation, the change will be stone-walled and will fail.

So what must leaders do to create a customer-centric organization? While the list is long, here we provide a bit of guidance around three key tasks: creating the vision, coordinating cross-functional efforts, and reinforcing new behaviors.

Creating The Vision through Loyalty Roadmaps

Vision is the beginning and end-point for leading a customer loyalty journey. A vision can create a future so compelling that it lifts people from their preoccupation with problems and refocuses them on the possibilities ahead. Take KitchenAid's vision, for example: *Legendary Experience*. KitchenAid's simple, powerful vision makes it clear to everyone that this is no ordinary appliance manufacturer. They strive to be "legendary" not only with their

products, but also at every critical touchpoint.

Leaders must convey a customer loyalty vision of the future that is clear in intention, appealing to employees, and ambitious yet attainable. To attain the vision, leaders must be able to move the organization from the comfort of its short-term activities to the ambiguity, but promise, of a better future. To do this they need to involve employees in the creation and deployment of such tools as loyalty roadmaps, which depict the migration of strategies and tactics from the current state to the future state.

These roadmaps should be created at various levels. For instance, the overall organizational transformation roadmap addresses the "change management" issues on which the leadership team must focus its attention. This roadmap would include the evolution of the tools, practices, and processes used to measure, model, and manage customer loyalty over three to five years. The measure pathway, for example, might evolve from a current state of transactional customer satisfaction surveys already in place, to the addition of an overarching strategic customer loyalty research program that identifies the emotional and rational drivers and the priorities for strengthening customer loyalty. The final step might be an integrated measurement system that aligns and links internal process measures with transaction measures with customer loyalty measures, providing everyone in the organization a clear line of sight to the customer.

Roadmaps should also be created for each customer experience vision within brands and within functions. For example, KitchenAid is constantly working from a long-range roadmap for their products that lays out the milestones for such attributes as quality, durability, performance, and reliability in order to consistently deliver on the KitchenAid promise of “the way it’s made.”

These roadmaps provide confidence to the organization. They are tangible outputs that clearly articulate the strategy and its impact on customers and employees. They describe the “burning-platform” but also point the way to the future. They assure that everyone involved is working towards the same goal and is on the same path.

Cross-Functional Alignment of Planning

A second key role for leadership in creating a customer-centric organization is in ensuring cross-functional alignment to the customer loyalty priorities. All functional executives — including marketing, engineering, manufacturing, purchasing, human resources, and finance — must meet in the same room, so they can have real-time cross-functional discussions and make decisions that optimize the resources of the organization to focus on the customer. The place to start is with the planning and resource allocation process.

A company that identifies customers as its driving force has a clarity of purpose that should be reflected in the planning process. If the customer and supporting customer research information are not brought to the center of the planning process, then being customer-centric is merely an intention — not a strategy. By focusing on the customer, all functions begin their planning from an external, not an internal, point of view. Specifically, planning priorities are based on well-researched and analyzed data, and not merely on opinion and anecdotal examples. When all functions use the same customer insights to set their priorities, they

are aligning and coordinating their goals with one another. They are not working at cross-purposes or with conflicting functional objectives that are often narrowly defined.

The first few cycles of a new customer-centric planning process can be full of friction. There is often an existing pipeline of initiatives that have been on functional “wish-lists” for years. Typically, there is not new funding available for the customer loyalty strategy, so instead, funds must be re-purposed from these old lists to make way for the creation of improved and new customer experiences that build customer loyalty.

This alignment and common focus of business functions and departments on the key processes and activities of the customer experience will accelerate the transformation of the organization to the customer-centric vision. There is a unification of effort and focus on customer loyalty by the vertical departments that permits a truly holistic and total customer experience to be created.

Reinforcing Behaviors through Engaging Employees

A third area of leadership in creating a customer-centric organization is in providing the communication, education, and training to the workforce to embed the skills, knowledge, and competencies consistent with the behaviors needed to build customer loyalty. Companies that struggle with new processes and capabilities often fail to recognize that successful implementations of change are dependent on the business behaviors exhibited by the workforce. You can copy a process but you cannot imitate the culture that makes that process work in a successful company.

Companies that adopt customer-centric strategies should be particularly interested in encouraging customer-centric behaviors among their employees. Some research has shown that firms are better able to implement a customer-oriented strategy by evaluating their employees on behavioral (e.g., courtesy,

professionalism, problem-solving) rather than outcome-based criteria (e.g., quota, sales volume). And to reinforce this, management must reward employee behaviors that are consistent with the customer-centric organizational goals.

On-going, frequent communication is critical to engaging employees in a customer-centric strategy and reinforcing new behaviors. People make positive, progressive changes in the organizations they work for because they want to, not because they are constantly told to increase sales or profits. When employees better understand the dynamics that affect customers and the marketplace, they are in a better position to bring a customer focus to their tasks. Leaders need to communicate the fact-based why’s, what’s, and how’s to their workforce. And throughout the journey, highlighting progress, success stories, and customer loyalty heroes will be sure to strengthen the customer-centric fabric of the organization.

Translating a customer-centric strategy into a customer-centric culture and work environment requires leaders who are passionate about these principles and their role in building a customer-centric organization. The ability to design, coordinate, and deliver a transformational change from product-centric to customer-centric requires considerable leadership that cannot be delegated. We need leaders who can create a customer-driven vision for their company that differentiates it, and its value, in the market. These leaders have to take on the heavy lifting of breaking down internal functional silos, so they can allocate resources to the customer transformation strategy. With this behind them, these leaders can experience the exhilaration of releasing the energy of employees to what truly matters — working for the customer. ○

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