INGIMAGE©

THE VALUE OF PATRONAGE

Dr. Muneer Muhamed writes that it's crucial to measure anticipated regrets

In addition to expectations, we have also experienced disappointment and disengagement with companies and brands over our lifetime. When managers talk of the 'lifetime value' of customers, they most often don't consider many softer issues that cause the erosion of this so-called lifetime value.

> A new customer will take much longer to be loyal

How often have you thought of quitting your current cellular service provider for the mental agony that accompanies poor service, multiple level IVR (interactive voice response), billing puzzles or frequent loss of signal?

And how often have you considered finding a new dry cleaner because of the poor quality of service provided by your current outlet?

And last but not least, how often do you plan to wave goodbye to your once favourite airline?

Companies seem to take us for granted once too often; and on our part, we're too lazy to find a reliable service provider to replace the poor performer. Yet, we will quit at some point. The time span varies for different people and very often, the service providers in question don't know why their customers have drifted away.

Even though understanding why customers leave or drop a service relationship is critical to managing the long-term profitability of a company, existing customer retention models don't account for clients' future considerations. Research has found that this omission means the models now in use are incorrect and more importantly, the strategic marketing decisions based on them are less than optimal.

As stakeholders, customers are planners and forecasters, as well as evaluators of service. And customers' expectations are critical to their decision-making process – i.e. whether to retain or drop a service provider. When marketers understand the future considerations of consumers in deciding about an enterprise or brand, that information should influence all elements of the traditional marketing mix.

Entities that ignore this consideration will forgo key opportunities to manage the customer relationship. In simpler terms, the intangible service could be measured by companies through a simple SERVQUAL model, which makes it much more tangible.

For instance, the SERVQUAL framework looks at five dimensions of service quality – viz. facilities, responsiveness, empathy, reliability and assurance.

The scores provide a good indication as to where the company should put its money when improving service quality. It also identifies the most important issues that customers have. The idea is to measure customer expectations and perceptions about all five dimensions on a regular basis, and even compare these factors with what the competition offers.

If an organisation wants to retain its current customers, client expectations of future benefits should be a primary focus – and marketing executives must consider how such expectations can be managed. In addition to customer satisfaction, enterprises must measure customers' expected future benefits (such as anticipated use and expected future changes) and their current levels of use.

Marketing strategies for both new and existing customers should consider how each marketing mix element (including changes in service, marketing communications and pricing strategy) might affect their current use and future expectations. And marketing actions that either increase customer expectations of future use or increase actual use should eventually improve customer retention.

Whether or not customers expect to feel regret about the relationship at some point in the future (following a bad experience, for example) significantly influences the decision about retaining or dropping the service. This in turn presents exciting marketing opportunities.

How often have we regretted responding to an advertisement, only to find that the person answering the call has no idea about what the ad says or offers?

Marketing managers may find it useful to integrate anticipated regrets into marketing communications and other customer interactions. If they can reach the customer before he or she has decided whether to retain or drop a service, the company may have a second chance to transform a dissatisfied client into a satisfied one – or regain the trust of a customer who would otherwise have been lost.

Strategies designed to maintain or enhance relationships with existing customers should consider how other aspects – such as placement and content of a communiqué, service enhancement announcements, and social media tactics – might trigger anticipated regret among existing customers.

The underlying principle is that retaining an existing client is cheaper than acquiring a new customer. Furthermore, a new customer will take much longer to be loyal and provide high lifetime value to the company.

As companies develop and manage relationships with their clients, they must understand and manage customers' past, present and future considerations in their strategies.

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