



## Make It Memorable

Creating a good memory is perhaps the most important ingredient in building customer loyalty.

By Lawrence A. Crosby and Sheree L. Johnson

**THE BUSINESS** case for an organizational focus on customer loyalty continues to strengthen, according to recent statistics from a variety of sources.

- On average, loyalty leaders grow more than twice as fast as the industry average (across a wide variety of industries) and do so with lower costs.
- Vendors with high customer loyalty have generated an average operating margin of 12%, whereas laggards have experienced a negative 11% margin.
- Companies with high marks for customer satisfaction tend to enjoy above-average stock performance with lower risk.

At the same time, research is abundant on how badly companies are delivering on their promises to customers, and the adverse effects of poor performance.

- Although 80% of companies believe they deliver superior customer experiences, only 8% of their customers agree.
- More than 80% of customers find that experiences don't match the promises

made in brand communications, and are disappointed.

- Even though more than 70% of customers state that poor service caused them to take their business elsewhere, business managers believe price is the prime factor for defection.

As with every great strategy, the devil is in the details. What your customers remember about their experiences with you will build or destroy their loyalty.

### Building Memories

Managing each customer's experience—to create a positive memory—is perhaps the most important ingredient in building customer loyalty. Every memorable interaction has two components; it must be completed with excellence and it must reinforce your brand essence. In other words, it should fortify how you want your customers to feel about you and themselves.

The possible moments of memory building are many. You serve your customers through your retail stores, Web site, catalogue, and customer-service call centers. And you serve them through touch points that are human (such as clerks and concierges), and automated (such as vending machines, voice

response units, kiosks, and automated teller machines).

These varied interactions affect how customers feel about the way your company treats them. If this impression is extremely positive or negative, then it often creates strong memories. These memories directly influence how customers feel about doing business with you, and whether they'll continue doing business with you.

What memories do you want customers to have after interactions with you at each touch point? Through your marketing communications, you're setting their expectations for those interactions. Reinforcing a brand, through every customer touch point, can provide the repetition necessary to inspire repeat purchasing decisions and other loyalty behaviors. Your customer is always asking, "Is this company following through on commitments, or is its advertising just words and images with no action behind them?" A company's ability to deliver is fundamental to its reputation, and to building memories.

Take the restaurant chain Olive Garden, for example. Its brand promise (reflected in its TV advertising) is about large and loving families gathering for great food and conversation, and the

kind of hospitality you would have received from your Italian grandmother. The company controls the advertising: where it is placed, how it is filmed, the food that is shared, and the attractive people who are shown eating it.

The expectation is set, and the in-restaurant experience will create a positive, neutral, or negative memory. If a customer has to wait to be seated, is served cold food, receives poor service, or has mistakes made on the bill, then the experience isn't likely to share many characteristics of the advertised brand promise. On the other hand, if a customer's experience is similar to the advertised brand promise, then it will reflect the brand values the company wants to communicate. When the customer shares the experience, he or she won't be talking about the handsome Italian family from the TV ads, but about the experience at the restaurant—his or her own personal and powerful memories.

The new breed of experience designers is considering multiple dimensions for these moments of memory building, including:

- duration (initiation, immersion, conclusion, and continuation).
- intensity (reflex, habit, and engagement).
- breadth (products, services, brands, channels, and price).
- interaction (passive, active, and interactive).
- triggers (all human senses, concepts, and symbols).
- significance (meaning, status, emotion, price, and function).

It isn't necessary for all experiences to be highly developed in each of these dimensions. But the more in-depth, appropriate, and consistent development across them, the more successful the offering.

## Help From Science

In customer loyalty, there's no substitute for good research to understand the desired customer experience. Customers in different situations want different things from an interface: information, advice, social exchange, affirmation, anonymity, discretion, and sometimes simply efficiency. The best starting point for building moments of memories is an analytic understanding of the needs/desires of all segments of your customers, taking into account purchase occasions as well as competitive offerings. In formulating segments, it's important to look beyond basic demographic and purchasing data to discern customers' attitudes and even personalities.

Vodafone provides a good example. This United Kingdom-based company rapidly grew through acquisitions in the 1990s, becoming one of the leading mobile phone providers in the world. To ensure that its offerings could be effectively delivered to target customers in any country, it stopped categorizing its customers simply according to where they live (as most mobile phone providers do). Instead, it divided its marketplace into just a few high-priority global segments, including "young/active/fun" users and occasional users.

It then developed targeted, experience-focused value propositions. Vodafone offered the first segment Vodafone Live!, a state-of-the-art service that provides everything from games and pop-song ring tones to news, sports, and information. And it offered the second segment Vodafone Simply, with an uncomplicated and straightforward mobile phone experience. Such clearly delineated service platforms allowed everyone in the company to understand strategic priorities, and focus on experience innovations that would better serve the segments.

Behavioral scientists are also moving the field of customer experience management forward, by considering the

psychology of service encounters: the feelings that customers experience during them. For decades, behavioral and cognitive scientists have studied how people experience social interactions, form judgments, and store memories—as well as what biases they bring to bear on daily life. The findings hold important lessons for those who design and manage service encounters.

For example, behavioral science tells us that the end is far more important because it's what remains in the customer's recollections. In a sequence of events involving good and bad outcomes, people prefer to have undesirable events come first (so they can avoid dread) and desirable events come at the end (so they can savor them). In other words, get bad news, pain, discomfort, long waits in line, and other unpleasant matters out of the way as soon as possible—so they don't dominate a customer's memory of the entire experience. That's why companies should break pleasant experiences into multiple stages, and combine unpleasant ones into a single stage. And service companies would do well to cut the number of steps they take to reach the final destination, thereby reducing the perceived pain of waiting.

As the focus of competition shifts from what companies do to how they do it, the new frontier of competitive advantage lies in the interactions and relationships they establish with their customers—and the memories they create through experiences. ■

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