

The Business Journal of Jacksonville - April 21, 2003

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From the April 18, 2003 print edition

**Guest Columnist**

## Is a satisfied customer always a loyal customer?

[John Forrester](#)

Few topics spark more debate and raise more questions among business leaders than customer loyalty, but what is it? What makes a customer loyal? Why does a customer defect? Is a satisfied customer a loyal customer? More importantly, how does a company build loyalty?

Customer satisfaction and customer loyalty, though often used interchangeably, differ. Customer satisfaction rightly results from the successful completion of purchase transactions, usually under ordinary circumstances. For example, the desired product or service arrived when promised in good condition and met expectations. Satisfied customers maintain a positive attitude about the product or service offered and may repurchase given no alternative offering greater convenience or greater value.

A loyal customer has benefited from such things as salesperson's insight, problem-solving abilities or willingness to go the extra mile. Maybe the customer service representative took extra time on the telephone to ensure the customer received all the information needed. Whatever it was, the customer completed the transaction not only with a positive attitude about the product or service, but also with a positive attitude about the company. Therein lies the difference. A satisfied customer places trust in the product and may feel comfortable buying it from any number of suppliers. The loyal customer trusts the supplier and may feel more comfortable switching products or services than buying from someone else.

So how does one build loyal relationships? In the travel industry, companies offer a variety of frequent traveler programs to encourage repeat purchases. The automotive industry gives brand loyalty discounts to new car buyers. DSL service providers offer free equipment in exchange for a one-year service contract. Do these programs really build customer loyalty? Arguably, no. Each serves to lower the overall price. But ask any conscientious buyer about these programs, and you'll find they represent tie breakers at best and coercion at worst.

### Times are changing

Creating convenience encourages habitual buying, but sellers beware; a more convenient offer will steal a customer and it may lie only a click away. In these days of widespread information, overnight delivery and secure, 24-hour Internet shopping, the local store or sales representative no longer holds an edge. Not that long ago, customers bought habitually -- and seemingly loyally -- because they lacked information, alternatives and confidence in alternative sources. Times have changed.

Customers become loyal to a company for three reasons. First, the company performs consistently under ordinary circumstances. Second, the company individualizes its offering as a result of taking the time to understand specific customer needs and wants. Third, the company performs under extraordinary circumstances and thereby earns the trust of the buyer. Technology cannot provide judgment and care needed in extraordinary circumstances, nor can it deliver added value. Here, enthusiastic employees represent the sine qua non; technology is but a tool.

Enthusiastic employees have positive attitudes about their company, its culture and its products. They believe in what they're doing and know their contributions count. They have opportunities to learn and advance, and they're compensated fairly. Clearly, enthusiasm is important for salespeople, customer service personnel and others touching customers. But it proves equally important for people in other parts of the business. An enthusiastic sales force can't compensate for an indifferent production department.

## Get them fired up

It all seems rather simple but, of course, it's not. Employee enthusiasm, which differs from employee loyalty, derives from three things: 1) meaningful recognition; 2) opportunities to learn and grow; and 3) fair, competitive compensation. Rocket science? Hardly. Yet too few companies invest the time, energy and resources needed to generate employee enthusiasm. This is especially true when the economy lags and in times of recession. One often hears the comment, "They should be thankful they have jobs," and indeed they should. Managers making such comments should be thankful they have customers.

Companies receive recognition as great places to work because they invest in people. They celebrate achievement. They invest in training and encourage employees to advance their educations and learn new skills. Finally, they offer a fair -- not necessarily the highest -- wage. For these companies, monies spent on benefits and training aren't expenses, they're investments.

And what's the return on investment? Ultimately, it's loyal customers.

Given the cost of acquiring a customer, the damage a disgruntled employee can do and the cost of replacing an employee, doesn't it make sense to invest in people? Some may worry about the risk of teaching employees new skills and having them leave, but isn't there greater risk in not teaching them new skills and having them stay?

*John Forrester is an independent business consultant in Ponte Vedra Beach.*

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