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Cultivating the Customer Connection:
A Framework for Understanding Customer Relationships

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The establishment of relationships is a fundamental part of human life. Most people have many different relationships, some of which have lasted for many years, and some of which are closer or more intimate than others. When we ask people about their relationships, most often they speak of those that are most important to them, namely relationships with family, friends, neighbors, classmates, or the people with whom they work. Some of these relationships are very important to us and we would feel a tremendous sense of loss if the people involved were no longer around. We trust them, we rely on them and they play a central role in our lives.

What is really interesting is that people typically use very similar language when they talk about businesses with which they deal or brands that they buy regularly. Can customers establish a long-lasting relationship with a brand of ketchup, a coffee shop, or a hotel chain? I suspect the folks at Heinz, Starbucks and Marriott would unanimously agree that they can and do. We can all think of brands that we and our families have been using for years or even for generations. We all have favorite restaurants, a regular pub or sports bar, a deli where Julie behind the counter knows exactly how thick to slice our pastrami, and a hairdresser to whom we have been going for years.

Customers are People Too

At the end of the day, customers are people and they bring to the role of customer the same set of needs and emotions that they exhibit in other facets of their daily lives. If a business is interested in establishing genuine relationships with its customers, relationships that will last for many years, then it must understand the psychology that underlies the establishment of relationships in general.

Customers do not deliberately set out to establish relationships with other people or with brands of shampoo, cologne or beer. Relationships evolve over time, and some evolve to the point where there is an extremely strong connection with the company or brand. Relationships take time to develop and must be nurtured. But, once they are established, customers feel a genuine, long-lasting sense of loyalty to the company. Most customers want to deal with businesses and use brands that they can trust and rely upon; organizations with whom they feel comfortable; who treat them fairly and honestly. Unless business executives understand how customers develop such relationships and what customers get from them, they will not begin to understand how to build a solid customer connection.

It is only in recent years that business has begun to focus its attention on the development of customer relationships and to acknowledge that customers do indeed develop strong emotional connections to certain companies and brands. Most businesses now understand the potential long-term value of a loyal customer. It is clearly more productive for a business to encourage its customers to come back and do business with it over and over again rather than having to deal with customer churn, where new customers must be recruited in a constant struggle to replace those who are leaving. One of the objectives, therefore, in building customer relationships is to reduce customer turnover by increasing retention.

Retention is not a Relationship

But, customer retention is not the same as a customer relationship. Retention, meaning that customers continue to buy from a company over time—they have been retained—is essentially a behavioral concept. There are many ways in which businesses succeed in encouraging customers to return, none of which leads to the establishment of customer relationships. Retention is behavioral loyalty; relationships imply the existence of emotional loyalty.

A relationship in its simplest form and as understood by customers is based on feelings and emotions. It is not behavioral, although there are behavioral outcomes of customers developing solid relationships with firms; customers go back again and again, they spend more money there, they buy more items at full price, rather than waiting for the sales, and they recommend the company or brand to their friends and associates. But such behavior is the result of the relationship and not the relationship itself.

There is, however, a tendency in some businesses to mistake behavior for loyalty. Just because customers buy a large percentage of their items in a particular product or service category from a certain company or visit on a regular basis does not mean that they are loyal or that a relationship exists. It is possible for a company to develop a high level of "behavioral loyalty" amongst its customers, while having relatively little emotional loyalty. For example, many customers will buy a large percentage of their groceries from a supermarket that is close to their homes. They shop there every week and they have been doing so for years. When asked why they are "loyal", customers will point to factors such as convenience of location, 24-hour opening, large parking lots, speedy checkouts, one-stop shopping, and so on. All of these reasons relate to functional factors that drive repeat buying. These customers may be described as "functionally loyal" because the factors that drive their behavior are largely functional.

Amongst the functionally loyal, there is a notable absence of any sense of attachment to the company. There is little or no emotional connection. If these behaviorally-loyal regular shoppers were to move across town or to a new city, they would likely seek out an equally convenient supermarket for most of their grocery shopping. This form of loyalty, therefore, is extremely vulnerable; there is no relationship from the customers' perspective. As soon as they see a better deal or greater convenience elsewhere, they're gone.

Contrast this with other customers who shop regularly at the same supermarket, often driving past two or three competing supermarkets to get there. When asked why they shop where they do, they will say that they are known there, employees recognize them, they feel comfortable shopping there,

they have come to know the cashiers and engage in conversation with them, or they go there with friends for coffee. There is amongst this group of customers evidence of *emotional* loyalty, a connection between the company and its customers, a lasting bond that is grounded not in functional factors, but in genuine emotions. When these customers move to a new location, they seek out a branch of *their* supermarket.

Let's Have a Relationship with Her

Customer relationships develop over time, just as do interpersonal relationships. No company or brand can simply decide that it will establish a relationship with a particular group of customers and then go out and do it, because it is the customers themselves who will decide whether a relationship can develop. Relationships are, by definition, two-sided in nature; they must be mutually felt. We all know what happens to relationships where only one of the parties is getting any benefit. Therefore, in order to attract customers to the point where a relationship might be said to exist, a company must genuinely care about its customers. For a customer relationship strategy to work, a company must establish a focus on the customer, a commitment to genuinely understanding the customer, and a culture in which every employee believes that the customer comes first. In short, they need to have a customer strategy, one focused on ensuring that everything the company does is oriented toward building solid customer relationships (Barnes 2006).

Think for a moment about those businesses and brands to which you and your family return again and again. You probably wouldn't do so unless you were receiving some unique form of value that you simply can't get anywhere else. You feel special when you walk through the door. The employees know you there and treat you like a friend. They engage in conversation with you and go out of their way to help you find the things you need. You trust their advice. You know you can rely on them to deliver on time, and offer you quality products at a reasonable price. Actually, you may even admit that you may be paying a slightly higher price than you could get from a competing business nearby, but it is worth it to you because of the other, less tangible things that you derive from the relationship.

By thinking about the relationships that you, your friends and family have already established with businesses, we begin to reveal some of the essential characteristics of genuine customer relationships. You don't go back to your favorite businesses only because they have the lowest price in town or because they have a frequent-shopper program. You go back primarily because of how you are treated, the quality of service provided, the people with whom you deal, and ultimately how you are made to feel.

I make what I believe is an important distinction between *genuine* customer relationships and those that are artificial or synthetic. Some companies, through the use of marketing tools such as frequent-shopper or frequent-flyer programs, have succeeded in creating high levels of behavioral loyalty, driven largely by the rewards that customers obtain by giving a company a large share of their business. Do such programs succeed in driving an increased share of wallet and repeat buying? Yes, in many cases they do. But such attempts to build customer relationships are not based on a strategy to create an emotional connection, but rather see relationships from the perspective of the company and the benefits that it will derive from increased frequency of purchase.

At the end of the day, it is the customer who understands what a customer relationship involves. One of the difficulties that some businesses have in establishing long-lasting customer relationships stems from the fact that many simply don't understand their customers.

The Need for Insight

One of the fundamental needs that underlie the establishment of successful customer relationships is for companies to obtain the kind of insight needed to understand what is actually a very complex concept. They must understand customers and they must understand the nature of the genuine relationship. If we are to truly understand the emotional connection between customers and brands, then we need to understand how customers live their daily lives and where various companies and brands fit in. What role do they play? What does Heinz Ketchup or Starbucks coffee or Chanel No 5 really enable a customer to do? What does The Home Depot, or State Farm, or Wells Fargo help customers accomplish?

To obtain customer insight, we must understand customers as people. We need to understand what they need to get done in their daily lives, what their goals and ambitions are, and how they define success. By knowing such things, a business can understand how it can play a role in allowing customers to accomplish the things that they want to get done and to achieve success. On the other hand, insight gathering also involves understanding the things that customers wish to avoid or that they dread happening. Understanding those things that customers do not want to happen allows a business to step in and help the customer in preventing them. Understanding the complexities of consumer behavior and how customers develop lasting relationships requires deep thinking on the part of marketing practitioners (Zaltman and Zaltman 2008).

Companies that are successful in building genuine relationships with customers are rewarded well into the future. Not only do they experience lower rates of customer turnover, but their customers stay with them longer, give them a higher share of spend, buy more items at full price, reduce their tendency to shop around, and recommend the company or brand to their friends and family members. Think again about those companies and brands that you couldn't do without and how you deal with them. That's how genuinely loyal customers treat their favorite stores and brands.

A framework for understanding – the 5 E's of customer relationships

The following represents a framework that I have developed that helps me think more deeply about the concept of customer relationships and the factors that are important in allowing companies and brands to connect more closely with their customers. I've labeled it the 5 E's of Customer Relationships.

The Customer Environment

If a company is to be successful in establishing genuine relationships with the large number of its customers, it must first have a deep understanding of the *environment* in which the customer operates. We are dealing here with the notion of customer context; everything that customers do happens within a wider context. Every day, customers have things they must get done; they face challenges and opportunities. There are things that they are looking forward to and things that they

dread. Companies, if they are to understand how to build relationships, must first understand what is going on in the personal and business lives of their customers. What are their goals; what are they trying to accomplish; what are they looking forward to? Only by knowing such things can a company play the role of partner or facilitator in helping its customers get those things done.

Many years ago, Harvard professor Theodore Levitt famously observed that no customer ever went out to buy a quarter-inch drill. What the customer needed, of course, was a quarter-inch hole. This was Levitt's insightful way of saying that all products and services are bought, not for their own inherent features, but for what they enable their purchasers to do; people need solutions to what they are facing. More recently, Christiansen et al (2005, 2007) have written about the job that we hire products to do, suggesting that the customer at the supermarket this afternoon doesn't really want or need those raspberries he is buying; what he really wants is an attractive dessert to serve his guests at dinner. Every product and service the customer buys represents a means to an end; he has something that he needs to get done. It is no accident that The Home Depot adopted as its slogan, "you can do it; we can help."

Even more recently, Ariely and Norton (2009) have written of "conceptual consumption", arguing that not only do customers buy products and services for the outcomes they provide, but even more for the feelings or emotions those products enable them to enjoy or avoid. Therefore, we buy digital cameras, not only to enable us to have photographs to show friends or to post on Facebook or to put up on Picasa, but more importantly to enshrine memories and to facilitate sharing. Similarly, we don't buy paint merely to obtain a fresh new look in the living room, but to hear the "oohs" and "aahs" of friends and neighbors.

To be able to facilitate success by enabling customers to achieve the things they need to get done, to receive the accolades of friends, or to look good in the eyes of people who are important to them, companies must understand the context in which customers are operating. Companies that succeed in helping customers achieve the praises of guests for a dessert well made or the favorable comments of visiting parents-in-law when they enter the recently-decorated living room will be well on their way to establishing genuine customer relationships.

Customer Expectations

It probably goes without saying that, in order to be successful in impressing customers, companies should set out to at least meet customer *expectations*. The company that falls short of meeting expectations can be confident that customers are already moving on to deal with one of its competitors. Meeting customer expectations is obviously of great importance, but is not sufficient to move customers toward the establishment of genuine relationships.

Research has shown that customers have considerable difficulty verbalizing what they expect from the companies with which they deal (Zeithaml et al, 1993). My experience is that customer expectations are, for the most part, entirely predictable and bounded by the customer's experience in dealing with similar companies or brands. For example, if we were to ask a customer who is planning a business trip to Chicago what she expects of the airline that will be taking her there, she is likely to comment that she expects to be able to buy her ticket online, to check in from her office, to be able to check her

suitcase efficiently, to have her flight depart and arrive on time, and to find her suitcase intact on the luggage carousel when she arrives.

In short, the customer expects the airline to do exactly what well-run airlines are expected to do, nothing more. The customer will be satisfied if the airline delivers on those things that she expects of it, and will likely give it a 9 or even a 10 in a post-flight customer satisfaction survey if they get all of these things right. But, satisfaction does not make a relationship. Satisfaction is a short-term state driven mainly by predictable, functional aspects of the company's value proposition. Other research indicates that even the most satisfied customers remain receptive to competitive offers and are prone to defect (Oliver, 2009). A customer relationship that has achieved only satisfaction is a vulnerable one.

What our airline customer is <u>not</u> expecting may be just as important as what she expects of the airline. She is clearly not expecting a flight attendant to retrieve the BlackBerry that she has left in the seat pocket and to bring it to her as she stands at the baggage carousel. These are the kind of events that customers don't think of when they are asked to state their expectations. Yet, by delivering the BlackBerry, the flight attendant has exceeded subconscious expectations and created a state of customer delight. That episode then becomes the basis for storytelling; you know, the ones that always begin, "you'll never believe what happened to me yesterday…"

From the company's perspective, it is as important to understand what customers are not expecting as it is to know what they are expecting. Ultimately, customers are not expecting to be surprised. Creating customer surprise, by doing the unexpected, is an important part of building genuine, emotion-based customer relationships. As Lehrer (2009) recently observed, "nothing focuses the mind like surprise." Companies should set out to surprise and delight their customers more often.

Customer Emotions

Relationships are essentially *emotional* constructs. When asked about their most important relationships, most people will make mention of other people with whom they are close; family members, friends, neighbors, workmates, our Saturday morning foursome, the girls on the bowling team. In other words, people generally use the word "relationships" when discussing interpersonal connections. But customers also build emotional connections with companies and brands—ultimately reaching a stage where they would miss them if they were no longer available.

In attempting to build genuine customer relationships, companies must, therefore, set out to reduce negative emotions and strengthen positive ones. It is useful, in this regard, to think about a hierarchy of emotions, ranging from relatively weak emotions to particularly strong ones. On the negative side, some fairly mild emotions are merely irritants. For example, a customer may experience confusion, annoyance, or frustration in dealing with a certain business. These feelings may not lead the customer to decide never to deal with the company again, but, if left unaddressed, may lead to a situation where the customer simply walks away. If a company continues to frustrate, disappoint, let down, or ignore its customers, ultimately more strongly-felt negative emotions such as anger, hatred, and disgust will emerge and any hope of developing a long-term relationship will be lost.

On the other hand, positive customer relationships that last for years or even decades begin with some relatively weak positive emotions such as comfort level, friendliness and affection. Ultimately, the strongest and longest-lasting customer relationships are characterized by deep positive emotions that are regularly referred to by loyal customers, including love, pride, and respect. In research projects that I have conducted with a major telecoms company and an international grocery chain we found more than 70% of customers agreed with the statement, "I am proud to be a _____ customer." We regularly hear shoppers comment "I just love shopping there."

Customer Experience

There has been a lot of attention paid in recent years to the customer *experience*, and it represents an important contribution to an expanded view of how relationships develop (see for example: Meyer and Schwager, 2007). Simply put, a succession of positive experiences is likely over time to develop into a genuine relationship. On the other hand, inconsistency in the delivery of the customer experience, or worse a series of negative experiences, will lead to little hope of solid relationships being developed. Unfortunately, many businesses seem to take a narrow view of what customer experience entails. As a result, they fail to realize the potential that exists to create long-lasting customer relationships through delivering impressive customer experiences.

Some writers on the subject of customer experience suggest that the customer experience is something that can be orchestrated or that must involve some form of entertainment (Pine and Gilmore, 1999). But, every interaction with a company or brand is an experience; whether it involves face-to-face contact with employees, telephone interaction with a call center, visits to the website, or actual use of the product. My research suggests that companies need to think about customer experiences at four levels.

First, and this is the view of customer experience that is most often discussed in business, companies must be *easy to do business with*. This assumes that customer experience is all about access and convenience; how easy do we make it for customers to order from us, to get served in our stores, to speak with someone on the telephone? Being easy to deal with means returning their calls, delivering when we said we would, and generally not putting barriers in the way of good service.

Second, I believe that an important part of the customer experience involves *interaction with employees*. Many customer experiences involve meeting or talking with employees or others who represent the company or brand. This interpersonal interaction is central to the development of a positive customer relationship. Indeed, many customer relationships are based on the customer's relationship with individual employees—think travel agents, mechanics and hair dressers. This view that the customer experience is delivered or co-created by employees provides suggests implications for Human Resources and is one of the main reasons why that department must be an active partner in the development of a customer relationship strategy.

Third, we must realize that the customer experience does not end when the customer makes the purchase—there is *"product in use" experience*. Many services, for example, are continuously delivered. The customer, therefore, has an ongoing relationship with banks, cable and telecoms companies, Internet service providers, and others. In the case of tangible products, many are used for months if not years. The satisfaction and enjoyment that the customer obtains from "product in use"

is important in determining whether a long-term relationship will develop. So, an important part of the customer experience involves delivery, helping set up the product, helping the customer obtain maximum value from it, fixing it when it breaks, and offering advice on how to use it properly. Often this seems to be forgotten by businesses. I hear, for example, from customers of auto dealers who do not receive any communication for the entire length of the four-year lease. Customers feel let down, disappointed, or abandoned as a result. Companies need to have a "keep in touch" strategy, making occasional meaningful contact with customers as they use their products and services.

Finally, businesses need to think about the customer *experiences that they can create or enhance*. This represents a proactive side of customer experience delivery. Think about the kinds of experiences that companies create by organizing workshops, inviting customers to lectures, or providing them with valuable information. Think, for example, how The Home Depot helps the "all-thumbs" father build that tree house for his son. Think also about how Avis might make my long weekend in the Napa Valley truly memorable. Think how Canon might help me get a "You took that!!??!!" reaction when my friends see the framed black-and-white photo in my living room.

Customer Engagement

More recently, customer relationship strategists have begun to consider the importance of creating customer engagement (Fleming and Asplund, 2007). This concept builds on the notion that, by involving customers more in the production and delivery of products and services, we can create a higher level of commitment. How, for example, can we get customers to become partners, to become involved in the co-creation of products and services, to become actively engaged in the delivery of desired solutions and outcomes? This is, I believe, an important part of the success that IKEA has enjoyed around the world. Not only does this much-admired company offer reasonably-priced furniture of reasonable quality, but the customer puts part of himself into every item through his involvement in its assembly.

Dell allows its customers to build their own laptop computers. Customers go to The Home Depot to learn how to lay ceramic tile or to build shelves in the kids' closet. Committed customers of the Running Room train together with other novice runners for their first 10K race. In all cases, the customer puts something of herself into the creation of the value proposition by partnering with the business to get something done. An engaged and involved customer is more likely to spread positive word-of-mouth, to create communities for the business, leading to a co-dependency that eventually becomes a solid, genuine relationship.

Overview

The most successful customer relationships are those grounded in an emotional attachment. Companies must accept the fact that, if they hope to see customers coming back again and again, and singing their praises to friends and family members, they must pay attention to how they make their customers feel. To really impress their customers, they will also have to invest in customer insight so they can truly understand what those customers need to get done and how they need companies and brands to help them. Customer relationship building should not be seen as the sole or even the principal responsibility of the marketing department; in fact, building customer loyalty must be accepted as the responsibility of every employee.

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