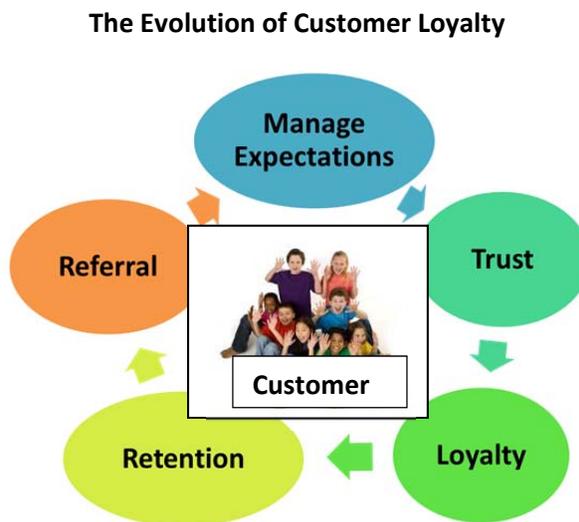


What Smart Franchisors Know About Managing Customer Loyalty

By Marietta Snetsinger, Chief Solutions Officer, Ascend Franchise Solutions

The key to any successful brand is a customer centric system which is built around the ability to attract, retain, and achieve the loyalty of their clients, guests, or customers. Factor in a referral quotient and you have a superior franchise system. Often customer loyalty is far more complex and ultimately the foundation is a customer relationship based upon managing the expectations.

Let's take a look at how customer relationships evolve...



CUSTOMER CENTRIC

The Customer is at the Core. Loyalty is an outcome of intentionally creating a customer centric organization or way of doing business. This type of alignment is vital to achieving the long, medium, and short term goals of the franchise organization and is at the core of any thriving brand. When all are devoted to meeting the needs of the customer, the likelihood of creating behaviours and habits that perpetuate success are greater.

MANAGE EXPECTATIONS

Communicate clearly about delivery of service or product. Building a relationship is often the opportunity to manage the expectations of the customer. Franchising is all about managing consistent delivery of products and services. Managing the expectations directly relates to keeping the lines of communication open. Informing a customer what happens next can help them to understand the service or product you will provide.



TRUST

Say what you mean and do what you say! The first component of this relationship is based upon trust. Trust takes time, and is necessary to build an on-going relationship and rapport with clients. This will happen when the customers know you have committed to and established a pattern of consistency. How the process is managed around the expectations can go a long way to build trust.

LOYALTY

If a customer trusts you...and likes you, it is likely they will want to consume more of your services or products. Ensuring that the elements of your marketing are aligned with this strategy is critical; this is an important way for customers to become knowledgeable about your other offerings.

RETENTION

Loyalty leads directly to retention. Loyal customers often purchase **more** and often on a **more** frequent basis. Consuming your products on a more regular or frequent basis over time is paramount to building a solid customer base.

REFERRAL

Happy customers organically refer others to your business. We know we have met and exceeded a customer's expectations when they are comfortable sharing their experiences about your franchise with others. Social media can have a great impact on how easily they can share this message.

Five Ways to Manage Customer Loyalty within Your Franchise System:

1. Understanding (and Communicating) Your Value Proposition

Knowing what it is that you do better and different than your competitors makes it easy for customers to know if your business is a good fit for them. What is the unique selling proposition (USP) of your business? How do you communicate this to your audience? Making sure that the message is aligned throughout your offer so that there is no confusion around whom and what your business serves. Communicating your USP helps the customer readily identify what you do and how you can help them.



2. Managing Expectations

No one wants to be disappointed when they do business with you. As a franchisor it is essential that everyone provides the same “level” and consistency around the offering. Building a strong brand and creating loyalty is dependent upon managing the expectations of the customer and ensuring they are delighted each time they do business with you. Service level agreements are an excellent tool to maximize clarity around when and how the service will be delivered. Seeking feedback is another way to confirm that the expectations are being met.

3. Loyalty as a Strategy

Adopting a strategy throughout your enterprise which allows you to gather valuable customer data around retention and buying patterns can have significant positive impact on the business. To be effective, it cannot just be another “marketing” program or promotion but rather it is a long term way of managing the relationship with customers. Loyalty may further be defined as economic or relationship based. “Economic loyalty” is deal-driven and often once the special pricing or offer expires, the customer goes elsewhere. On the other hand, “relationship loyalty” is derived by purchasing your services based upon non-financial motivators. Establishing a viable loyalty strategy takes commitment and investment from all levels of the organization. Make sure you do your research before you embark on such a journey.

4. Not All Customers Are Equal!

The reality is that not all customers are equal and often it is necessary to dig deeper than the topline sales to determine the level of loyalty. Adding metrics quantifiably allows for segmentation by economic versus demographic. This means a franchise organization knows the exact type of customer and whether they are likely to be loyal... or not. Certainly this is not a new theory and many in the travel industry have established programs which clearly reward high frequency and high consumption customers with additional rewards, not available to all. Only when we are able to measure and place parameters around both quantification and qualification, can we get specific about offers related to loyalty.

5. How Likely Are Customers to Refer?

Measuring loyalty can also be gauged using a scorecard, of sorts, approach. Essentially asking the question about a customer’s likelihood of referring your business to a friend or family member will provide powerful insight into their opinion and relationship with your company. A popular metric is the Net Promoter Score (NPS)®. The NPS is based upon categorizing into three types of customers: Promoters (enthusiastically refer others), Passives (satisfied but not enthusiastic) and Detractors (unhappy and dissatisfied). Determining what percent of your customers fall into each category will help to determine your NPS score, based upon the equation $P-D=NPS$. The real challenge is to determine the strategies necessary or required to monetize the data and findings.



My advice is this, in order to maximize the return on investment (ROI) of your efforts, committing to a franchise wide customer centric loyalty strategy will be key to maximizing your topline sales, optimizing your marketing spend and growing your profits. Everyone MUST to be on the same page and implement consistently.

Recommended Reading:

The Power of Loyalty by Roger L. Brooks

Building the Customer Specific Retail Enterprise by Gary E. Hawkins

The Ultimate Question by Fred Reichheld

Answering the Ultimate Question by Laura L. Brooks Ph.D. & Richard Owen

About the Author:

With almost 20 years of experience in the Canadian franchise industry, Marietta Snetsinger is passionate about establishing solid operational systems and leadership within franchise organizations. She has played an important role in developing operational support tools and recruitment strategy with several well-loved brands including M&M Meat Shops and Baskin-Robbins. Marietta is committed to supporting Franchisors as they develop and grow their Franchise systems. Today she is the Chief Solutions Officer of Ascend Franchise Solutions and works closely with small and emerging franchisors, on a daily basis.

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