

Tuesday 20 September 2005

DMBulletin

Daily DM news
from **BrandRepublic**

in association with
Direct marketing

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LATEST JOBS

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DM-led BTL Agency

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Firehorse

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Wilts.

Group Head- Copy Leading DM communications agency

Group Account Director - Direct Marketing / Integrated - top agencies
London
top agency (FIREHORSE)

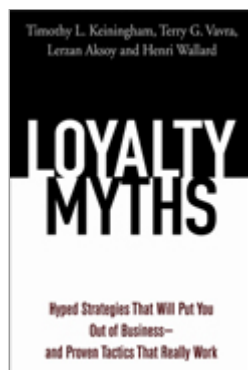
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LATEST NEWS

New book debunks customer loyalty myths

by Staff Brand Republic 20 Sep 2005



'Loyalty Myths': debunking book

LONDON – A new book debunks the myths surrounding customer loyalty and argues that a blind pursuit of customer loyalty can be a recipe for financial disaster.

The book, 'Loyalty Myths: Hyped Strategies that Will Put You Out of Business and Proven Tactics that Really Work' exposes 53 accepted practices and offer tested strategies to set businesses back on track.

Authors Timothy Keiningham and Terry Vavra, who are business strategists with Ipsos Loyalty, concentrate on six strategic business areas including management practices, loyalty programmes, and profitability.

They claim most companies have not changed their methodology for capitalising on customer loyalty and are using out-of-date strategies, which may be costing them billions of dollars in missed profits.

"Virtually everything we have been told about the relationship between customer loyalty and financial outcomes is bunk. The difficult truth regarding customer loyalty is that how it links to growth and profitability is far more complex than we have been led to believe.

"An improperly directed programme can result in keeping the wrong customers and ironically deflating an organisation's profitability. A blind pursuit of customer loyalty is at best a case of misallocated resources. But at worst it is a recipe for financial disaster," the authors say.

The book concentrates on six strategic business areas and offer seven tested strategies to set businesses back on track:

1. Don't manage for customer retention before you manage for customer selection;
2. Customer loyalty takes more time to grow than most management teams have to give; planning and patience are required;
3. Focus on customers' share of wallet - do not disregard those customers with current low shares;
4. Loyalty requires mutually beneficial interactions; most loyalty programs are tilted in the company's favour;
5. The chain of effects from loyalty to profits is twisted and complex -- learn the specific response patterns of your customers and your industry;
6. Satisfied and loyal employees can make a difference, but customer satisfaction and loyalty can and often does happen in the absence of employee satisfaction and loyalty;
7. Customer loyalty and brand imagery are far from independent; you must manage them hand-in-hand.

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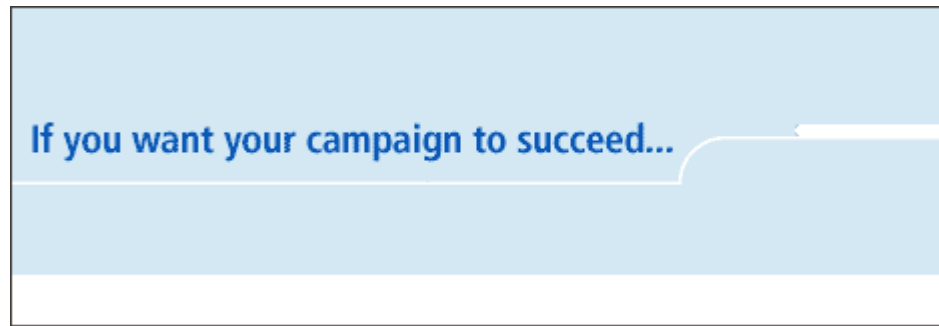
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