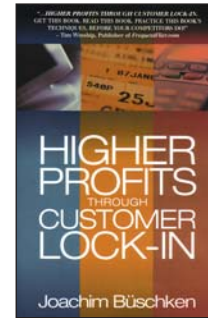
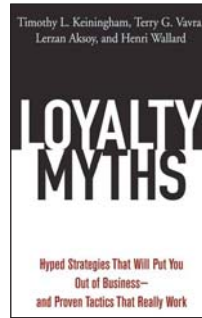


Locking in Loyalty

By R.M. (Erik) Gordon



Loyalty Myths

By Timothy L. Keiningham,
Terry G. Vavra, Lerzan Aksoy,
and Henri Wallard
John Wiley & Sons
Hoboken, N.J., 2005

It costs you five times as much to obtain a new customer as it does to retain an old one. Or 10 times as much. Maybe 30 times as much. Different books on customer loyalty claim different numbers.

The authors of a new book, *Loyalty Myths*, point out that the history of exploration into customer loyalty has been “long, if not enlightening.” They cite a review that found more than 50 different operational definitions of “loyalty.”

While some of the book’s 53 myths are “straw men,” unlikely to surprise most marketers, others are not only counterintuitive, but also run counter to what you are likely to read in loyalty books written by people who do no research. For example, Myth 42 is: “Loyal customers are less price sensitive.” And Myth 44 is: “Loyal customers are more profitable.”

The support for some myths is stronger than for others, and it is a mark of the authors’ confidence and integrity that they identify the sources of their claims.

Two of the most useful chapters contain no myths at all. The book’s introduction presents a brief history of loyalty thought and a framework for understanding what we actually know about loyalty, whereas the last chapter switches from myths to truths about loyalty.

Loyalty Myths is useful if you are a marketing manager in an organization that has or is considering loyalty programs, or if you are in charge of the details of developing and implementing a program.

Higher Profits Through Customer Lock-In

By Joachim Büschken
Thomson Texere and American Marketing Association,
2005

For a more focused, tactical book on loyalty, consider *Higher Profits Through Customer Lock-In*, by a German marketing professor, Joachim Büschken. He dismisses much of customer satisfaction as “a trap,” and places customer switching costs at the heart of loyalty. If the costs of switching products exceed the benefits, customers will remain loyal, at least in a behavioral sense. They are “locked in.”

The notion of a lock-in is risky because many marketers who think their customers are locked in actually are on the brink of an arrogance-induced loss of customers who resent being taken for granted or treated like captives. Büschken avoids these risks by providing thoughtful insights into how lock-in happens, as well as tactics to implement those insights.

Higher Profits is a sophisticated book. It discusses not just the tactics of inducing buyers to make brand-specific investments, but also provides information on the risks and risk-avoidance behavior of customers who can be harmed by a lock-in. Suggested methods of reducing those risks are most useful. And the section on profitable and unprofitable loyalty programs should be required reading for anyone who is considering launching a loyalty program.

You will find *Higher Profits* useful if you are involved in designing loyalty programs or developing loyalty and lock-in strategies, including B2B strategies often neglected by less sophisticated books.

About the Author

R.M. (Erik) Gordon is marketing professor and associate dean at the Graduate Division of Business and Management, Johns Hopkins University, Baltimore, Md. He may be reached at erik.gordon@cba.ufl.edu.