

Winning in Service Markets Series: Vol. 10

Managing Customer Relationships and Building Loyalty

Jochen Wirtz



NEW JERSEY • LONDON • SINGAPORE • BEIJING • SHANGHAI • HONG KONG • TAIPEI • CHENNAI • TOKYO

Contents

Dedication	3
Preface	4
Introduction	7
The Search for Customer Loyalty	9
Why is customer loyalty so important to a firm's profitability?	
Assessing the value of a loyal customer	
Worksheet for calculating customer lifetime value	
The gap between actual and potential customer value	
Why are customers loyal?	
The Wheel of Loyalty	19
Building a Foundation for Loyalty	20
Target the Right Customers	
Search for Value, not just volume	
Manage the customer base through effective tiering of service	
Customer satisfaction and service quality are prerequisites for loyalty	
Strategies For Developing Loyalty Bonds With Customers	32
Deepen the relationship	
Encourage loyalty through financial and non-financial rewards	
Build higher-level bonds	
Strategies for Reducing Customer Defections	41
Analyze customer defections and monitor declining accounts	
Address key churn drivers	
Implement effective complaint handling and service recovery procedures	
Increase switching costs	
Enablers of Customer Loyalty Strategies	45
Customer loyalty in a transactional marketing context	
Relationship marketing	
Creating "membership-type" relationships as enablers for loyalty strategies	

CRM: Customer Relationship Management	48
Common objectives of CRM systems	
What does a comprehensive CRM strategy include?	
Common failures in CRM implementation	
How to get CRM implementation right?	
Conclusion	56
Summary	58
Endnotes	62
About the Author	70
Acknowledgments	71