



Building trust and relationships through customer advocacy

Written by Chris Lawer, Founder, The OMC Group
With contributions from Professor Simon Knox, Cranfield School of Management
Copyright © OMC Consulting Limited 2005. All Rights Reserved.

Introduction

As we know, today's customer is empowered like never before. Through the internet and other new technologies, they are able to acquire more detailed information about brands, products and services in order to make smarter and more personalised choices on their own terms. They can validate a company's marketing and can more easily reject claims or statements based on their own knowledge. Also, customers can access new knowledge about the behaviour of companies and can more readily question and challenge this behaviour. Similarly, they can more easily consult and collaborate with other customers. In doing so, they place higher value on peer-group reviews and dialogue than on the one-way marketing messages sent out by firms.

Taken together, today's customer is less value-taking, accepting whatever is offered them as a passive recipient of company offers and marketing messages and more value-extracting, that is, defining value on their own terms according to their personal needs and then taking more control of how this value is created, delivered and ultimately used. This value-extracting behaviour of customers means that traditional relationship marketing approaches are becoming less effective. Companies can no longer rely on crafting marketing messages and better targeting in the hope that they will persuade a sufficient number and type of customers to buy their products and services. Nor can they rely on merely satisfying their customers.

Responding to the challenge of the empowered customer, some firms are developing innovative customer service strategies to achieve better alignment between their CRM, marketing and branding efforts and the needs of their customers. These methods are being dubbed "customer advocacy" responses and in this short article, I briefly attempt to define and explore them.

Defining customer advocacy

As Urban (2005) writes, customer advocacy strategy aims to build deeper relationships

with customers by earning greater levels of trust and commitment. Put simply, it can be defined as "doing what is best for the customer" even if this sometimes entails recommending a competitor's product. This may seem counter-intuitive yet the logic is quite clear. By acting as the customer's advocate in a market, a company has a greater chance of earning more trust, sustaining better relationships, creating positive word-of-mouth, reducing marketing costs, increasing brand value – and achieving profit and growth.

Customer advocacy reflects a cultural shift towards an advanced and mature customer orientation. In the sections that follow, we identify four, interrelated firm strategies for leveraging customer advocacy. We illustrate each with reference to companies that are able to occupy this privileged position.

Note this paper provides a summary of some of the dimensions of customer advocacy. If you are interested in finding out more about how advocacy approaches can help your company create more sustainable forms of customer trust and relationships, contact The OMC Group on +44 (0)845 057 4091 or via email at info@theomcgroup.com

Focus on customer success

The main intent of organisations with a customer advocacy strategy is "customer success". They aim to create more authentic customer relationships by providing expert levels of individual customer protection and support. As higher levels of trust, accountability and transparency build, customer advocacy is a means for organisations to resolve their customer's problems, and help them make important decisions.

Focusing on customer success requires that firms sometimes step outside the boundaries of the company's offer to consider the whole context in which a customer might use its products and services. Second it demands a focus on the experience and emotion of providing successful outcomes. Third, it means educating and incentivising business

partners to align with the advocacy strategy.

Cisco Systems, the network solutions technology provider, has been developing customer advocacy for over a decade. Because customer satisfaction has been a core value of the organisation since its inception in 1984, Sandy Lerner, one of the founders of Cisco Systems, created a company specifically to accelerate customer success with Cisco network technology and applications that meet their business needs. Together with their partners, Cisco regards its overall purpose as helping customers improve their productivity, reduce operational costs, and get their applications and services to market as quickly as possible. More recently, with the creation of Cisco Services, the company has evolved from a product-based to a solution-based offer. In doing so, the company is responding to their customer's demand for more proactive thought-leadership, increased knowledge transfer, tailored offerings, and consistent quality. Now, Cisco not only supplies the network, but also provides the support necessary to ensure that customers make the most of their networks. This allows them to build more integrated relationships with their customers and their partners. Uniquely, Cisco stages annual customer advocacy awards for business partners whose performance and behaviour is most aligned with Cisco's advocacy principles.

Achieve greater marketing context

Second, customer advocacy firms seek to incentivise and involve customers in their marketing and branding efforts. They support customers with marketing approaches that help them to proactively and voluntarily convey their experiences to friends, relatives and colleagues. To do this effectively, they must integrate new marketing techniques into the overall customer experience by creating and facilitating environments and contexts for customers to become more engaged or have to a dialogue with the brand. In this way, customer advocacy-based marketing avoids the overt "push" marketing strategies characterised by a lot of relationship marketing efforts.

So Harley Davidson – at the extreme end – does not do any marketing at all! It stages regular HOG Club events at which avid Harley enthusiasts share their experiences, buy merchandise and live the brand, spreading word-of-mouth. Their marketing is mutual and respectful between Harley and the customer. GM's On*Star service is an example of a medium that delivers marketing messages linked to a driver's location, event and context. By reconceiving the vehicle as an information device, the car becomes a means for On*Star to be the customer's advocate and to build a relationship along higher – more involved - dimensions. Such information also helps the firm to shape its and its partners offer by responding to customer preferences, e.g. which restaurants in a local area are rated highly and which are not.

Foster knowledge-creating dialogue

Traditionally, firms have focused on gathering extensive data *about* their customers and then using the information to segment and personalise their offer and marketing communications. However, customer advocacy firms pursue additional forms of customer knowledge. They recognise that by facilitating the creation and sharing of knowledge and competencies *held by* their customers, they are more likely to sense emerging market opportunities and to "unlearn" established assumptions and practices through open-mindedness, shared vision and an enhanced commitment to customer learning.

Firms practicing customer advocacy provide collaboration and problem-solving toolkits "to help customers to help themselves" and to learn by exploring problems together. They allow for conversations and dialogue between the firm and the customer to develop to satisfy and resolve issues and to ensure that each customer interaction is a positive one. This means that contact-centre employees in a customer advocacy organisation are encouraged to develop and apply advanced skills in servicing and resolving customer problems. They can reach outside the organisation to co-create

solutions with customers. They can share knowledge with other team members and partners, enabling specialist and empowered communities of expertise to thrive; communities that can often define the external perception and experience of the company. Such organisations provide their employees with the freedom to develop relationships with their customers to correct their problems and create knowledge. In fact, the positive impact of employee empowerment on customer relationships and the firm's performance has been empirically validated in a study by Gremler et al. (2002).

Notably, these approaches to knowledge-creation and dialogue are a world apart from traditional "volume-" and "cost-based" attitudes to customer interaction. They aim to address real customer needs rather than reduce call times, an investment in interaction that can deliver long-term loyalty.

Alaris Medical Systems, a leader in products for the safe delivery of intravenous medications, is also a pioneer in customer advocacy solutions. Through its two customer advocacy teams based at its San Diego, Ca. headquarters, Alaris actively solicits customer knowledge, turns it into fact-based insights and then applies the learning to address user issues and needs as well as to prioritise new business opportunities and product/service solutions. One of these teams, Clinical Support, is staffed by full-time professional nurses who provide 24-hour clinical resources for Alaris users. This support includes user feedback, assistance with product performance issues, clinical research help and answers to clinical questions. For Alaris, customer knowledge has been a catalyst for deepening the relationship between the company and its users.

Enable choice transparency

A fourth component of customer advocacy concerns the transparency of the firm's offering and its willingness to do what is best for the customer, even if the recommended solution is provided by the competition. By emphasising positive

partnership and support over traditional sales-oriented relationship strategies, customers are more likely to grant the firm their trust – and tell their friends and colleagues.

Choice transparency can be achieved through either online tools such as price comparison services, choice boards and personal decision-making guides or simply through employee recommendations derived from their own or the company's knowledgebase. It may also be provided by other customers in communities operated by the customer advocating company.

Consider U.S. auto insurer *Progressive*. It has a long tradition of innovation through customer advocacy. One initiative that has been well received is its recent move to offer a price comparison service on its web site. Previously, U.S. customers' ability to compare rates across insurance companies was both time-consuming and complex. Now, by entering their personal information, driving history, vehicle details and other data on the *Progressive* web site, the company enables its customers to undertake a simple and direct market comparison of rates from *Progressive* and its competitors.

*E*TRADE*, an online financial services company, provides a similar tool. Its online mortgage shopping service lets consumers objectively compare *E*TRADE*'s offer with another lender's before applying. *E*TRADE* delivers on customer advocacy by telling the shopper when its offer isn't as good as the competition's.

The *Cisco*, *Harley Davidson*, *On*Star*, *Alaris*, *Progressive* and *E*trade* examples all illustrate how customer advocacy is capable of unlocking new customer value. They each understand that there are mutual benefits to be realised by improving on their customer's time, involvement, knowledge and access to markets whilst providing new forms of positive context and customer relationships. For example, although it sometimes loses out to its lower-priced competitors, *Progressive*'s customers often remain loyal simply because the service reinforces their trust in the business;

this is underwritten by its brand values of openness, transparency and “maverick” change aimed at constantly finding ways to do things better, faster and cheaper for its 12 million customers.

Yet these are not isolated examples. Recent research demonstrates that customer advocacy can have a positive impact on a firm's performance. In 2003, Forrester Research asked 6,000 US consumers to assess the customer advocacy of their financial providers. They discovered that the firms with the best advocacy scores strongly correlate with higher satisfaction, greater cross-sell potential and deeper customer relationships.

Summary

Building customer advocacy is one response to the vulnerabilities of CRM and marketing in the face of rising consumer empowerment and growing transparency in customer relationships. It creates new opportunities for customer dialogue, knowledge creation, more authentic brand values and, critically, the context in which the interests of a firm and those of its key customer groups can be more closely aligned. Whether customer advocacy denotes an advanced form of customer relationship management remains to be seen. It is certainly not appropriate for every company. Indeed, to get into the game, firms must have existing high levels

of product and service quality and brand trust, they must have a highly embedded customer-oriented culture, their business partners must be aligned and aware of the strategy and their employee sales and service incentives must be in tune with customer advocacy outcomes. None of these are easy.

Nevertheless, we argue that by applying aspects of customer advocacy-based strategy, some firms will be able to better align their activities with the rapidly changing needs of the empowered customer – and build that elusive trust and loyalty in the process.

References

Forrester Research (2003) What Satisfies Financial Services Consumers: Firms That Demonstrate Customer Advocacy Overcome Mistrust, online at <http://www.forrester.com/Research/Document/Excerpt/0,7211,33981,00.html> (last accessed 1st February 2005)

Gremler, D., Gwinner, K.P., Brown, S.W. “Generating positive word-of-mouth communication through customer-employee relationships”, *International Journal of Service Industry Management*. Bradford: 2001. Vol.12, Iss. 1; pg. 44).

Urban, G. (2005) *Don't Just Relate, Advocate! A Blueprint for Profit in the Era of Customer Power* Wharton School Publishing



EXPERIENCE CUSTOMER INNOVATION with The OMC Group

The OMC Group is a customer strategy, experience and innovation management consultancy with an original blend of advanced thinking and proven methods. We are committed to helping our clients innovate new products, services and customer experiences for successful and sustainable growth. We do so by providing deep insight into their changing markets, formulating incisive innovation strategy and discovering precise opportunities for future growth and customer value creation.

OMC Group Innovation Expertise

We help our clients to:

- Sense and respond to changing markets through incisive customer strategy
- Learn what customers want and identify the product, service and experience opportunities that have the greatest potential for sustaining or creating breakthrough value
- Assess and improve their current innovation, learning and customer experience efforts and capabilities
- Accurately value and select innovation opportunities to make new investments with greater confidence and less risk
- Build a repeatable, predictive and disciplined innovation process throughout their organisation

Licenses of Outcome-Driven Innovation™

Developed by Strategyn, Outcome-Driven Innovation (ODI) is a proven approach to successful new product, service and experience value-creation. It transforms innovation from a hit and miss, high-risk costly activity into a more rigorous, predictable and measurable process. Many leading Global 200 companies like Microsoft, Johnson & Johnson, Hewlett Packard and Motorola have chosen ODI to help them create breakthrough products and services. As UK licensees of ODI, we are now ready to do the same for you.

Visit our website at www.theomcgroup.com to find out more about our services and ODI.

WE ARE READY TO HELP...	
Call us now on: +44 (0) 845 057 4091 or send an email to info@theomcgroup.com	