

## Foreword

The Hong Kong Association for Customer Service Excellence (HKACE) was formed in February 2000 to promote customer service excellence in Hong Kong. To this end, we have initiated a series of publications on various subjects in the field of customer service.

In August 2004, the HKACE appointed the Strategic Information & Intelligence Division of the Hong Kong Productivity Council to carry out a research titled “Service Appreciation and Customer Loyalty”. This research involved 600 telephone interviews and 23 in-depth face-to-face interviews with Hong Kong companies in seven major service industries as well as 500 telephone interviews and 2 focus group discussions with general consumers. It aims to:

- Identify effective customer loyalty programs and their main ingredients;
- Identify what triggers customers to stay or to churn;
- Establish the correlation between service appreciation and customer loyalty;
- Identify ways that companies measure customer satisfaction and customer loyalty;
- Share success stories and lessons in various service sectors, so as to gain insights in enhancing service appreciation and customer loyalty.

The findings of this research are summarized in this document - “Guide to Customer Service Excellence (8) - Service Appreciation and Customer Loyalty”. It contains a customer loyalty model that explains how different factors interact to form customer loyalty and includes the latest findings on the changing consumer behaviour that affects loyalty. Besides, it incorporates success stories and exemplary practices of leading companies in gaining customer loyalty.

We hope this publication will serve as a useful practical guide for any company which would like to gain a deeper insight in enhancing service appreciation and customer loyalty.

Allan Chiang  
Chairman  
Hong Kong Association for Customer Service Excellence

January 2005

# About HKACE

## *Mission and Objectives*

### **Mission**

To foster customer service excellence in Hong Kong and among members

### **Objectives**

1. To share best customer service practices among members and with other service sectors in Hong Kong and overseas
2. To pursue continuous customer service improvement among members
3. To promote the benefits of customer-focused culture in Hong Kong
4. To establish and maintain relationship with service excellence providers and advocates
5. To act as catalyst of positive changes and improvements in Hong Kong service culture
6. To interface with the Government of the Hong Kong Special Administrative Region on customer service matters and research findings
7. To advise the Government of the Hong Kong Special Administrative Region on customer service issues

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Hewlett-Packard HK SAR Limited



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The Kowloon Motor Bus Co. (1933) Ltd.



Motorola Asia Pacific Limited



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Mr. Solomon Li  
Ms. Polly Woo

who helped to oversee our research and worked with the HKPC Research Team to get this report into print.

*“Every great business is built on friendship.”*  
- JC Penney -

# Contents

Foreword .....	i
About HKACE .....	ii
Acknowledgements .....	v
1. Introduction .....	1
2. Service Appreciation and Customer Loyalty .....	3
3. Changing Consumer Behaviour That Affects Loyalty .....	7
4. How Successful Companies Retain Their Customers and Build Loyalty .....	12
5. Keep the Edge Through Measuring Customer Satisfaction and Loyalty .....	20
6. Use Customer Loyalty to Drive Business Success .....	24
Appendices	
A: List of Participating Companies for Face-to-face Interview	
B: Profile of Responding Companies and Consumers	

# 1. Introduction

## Why this guidebook

Nowadays, customers are becoming ever more demanding, and in most markets, they have more options than ever before. Customers are not just attracted by the functional values of the product such as quality, price and performance but the emotional value (which is created by presentation, appreciation and service) as well. This serves to retain customers even when lower prices are offered elsewhere.

To delight and retain existing customers, it is important that a service provider can understand the reasons why a customer stays or churns. In August 2004, the Hong Kong Association for Customer Service Excellence (HKACE) commissioned the Strategic Information & Intelligence Division of the Hong Kong Productivity Council (HKPC) to carry out a research project "Service Appreciation and Customer Loyalty". The objectives of the research are:

- To identify effective customer loyalty programs and their main ingredients;
- To identify what triggers customers to stay or to churn;
- To establish the correlation between service appreciation and customer loyalty;
- To identify ways that companies measure customer satisfaction and customer loyalty;
- To share success stories and lessons in various service sectors, so as to gain insights in enhancing service appreciation and customer loyalty.

## How the research was done

The study began with extensive desk research, telephone interviews, in-depth face-to-face interviews and focus group discussions.

Between August and November 2004, telephone interviews were carried out with 600 service providers in Hong Kong to identify the service appreciation and customer loyalty programs adopted. Random selections were made from all companies in the seven major service categories in Hong Kong, thus making the results more representative. The seven major service categories are:

- (1) Banking/financing and insurance
- (2) Retail
- (3) Transport and utilities
- (4) Tourism/hotel/catering/entertainment
- (5) Communication and telecommunications
- (6) Real estate and property management
- (7) Personal services

Local organizations having successfully implemented strategies and actions in the area of service appreciation and customer loyalty were also invited to participate in in-depth interviews to discuss the good practices and programmes adopted in retaining customers. A total of 23 companies were selected for in-depth face-to-face interviews.

Besides the service providers, a telephone survey on 501 general consumers and two focus group discussions with consumers aged between 18 and 64 were also conducted to collect consumers' buying behaviour, identify their reasons for staying or churning, and opinions on different loyalty programs offered by service providers. The results of the surveys are summarised in this guidebook.

## The guidebook

The guidebook contains six chapters. Chapter 1 gives a brief introduction of the research objectives and approach adopted. Chapter 2 takes a look at what makes up customer loyalty and the correlation between service appreciation and customer loyalty. In Chapter 3, we look into the factors that influence the loyalty and commitment of Hong Kong customers and their motives for switching service providers. We then take you through the types of actions taken by successful Hong Kong companies to retain their customers in Chapter 4. We explore how industry leaders are aggressively pursuing innovative business strategies as a route to establish customer loyalty that translates to long-term competitive advantage and profitability. These include anticipating and meeting customer needs, innovative approaches to products and service enhancements, improving customer service and staff competence, use of loyalty schemes, etc. Throughout the guidebook, we draw on the research and interviews conducted with leading companies and highlight those organizations that deliver superior retention programmes which are highly appreciated by their customers. The importance of measuring and monitoring customer satisfaction and loyalty is given in Chapter 5. In the last chapter, we highlight the main attributes of customer loyalty and the good practices adopted by successful companies in enhancing customer loyalty.



## 2. Service Appreciation and Customer Loyalty

20 percent of the customers represent 80 percent of sales  
- Praedo's Law

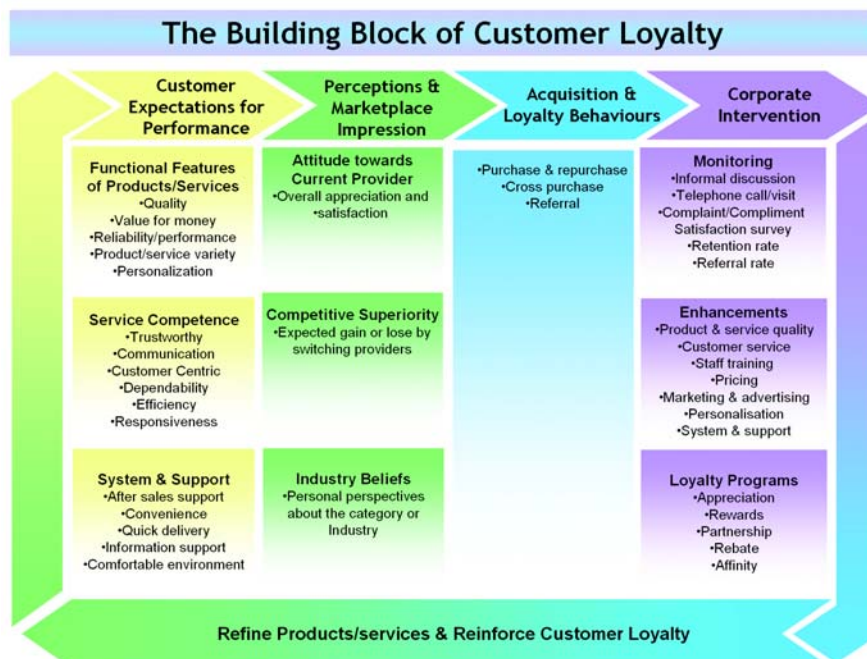
### Service appreciation is linked to customer loyalty

Are you a loyal customer? Can you think of companies that provide a level of product and service quality that has earned your repeated business? Perhaps you can name one or a few companies. Think again. Will you buy regularly from these companies and, of your own accord, recommend them to others and defend them from criticism? If you are a loyalist of these companies, you should be convinced that these companies have a unique "personality". These companies are able to deliver a level of product or service quality which is almost impossible to be imitated or reproduced. No other companies can establish the same good relationship nor provide the same experience. Since you have a good experience and appreciate doing business with these providers, you will not want to risk doing business with a new company. Within certain limits, you will also be willing to pay a slightly higher price for a guarantee of good service. Customer loyalty is based on such sentimental attachment and habit.

### The building block of customer loyalty

A customer loyalty model explains how different factors correlate to form customer loyalty. The model begins with customer expectations for performance. The customer is constantly evaluating how the company is performing and how close the company comes to meeting the customer's expectations. These include the tangibles (time, cost, consistency, completeness, accuracy, etc.) and intangibles (image, relationship, problem-solving, etc.) involved in products and services provided. They differ from industry to industry, as well as having different weights in the overall consideration of performance. Each of these service attributes (quality, price, convenience, image, etc.) comes together to form an overall perception and marketplace impression (levels of appreciation and satisfaction, switching costs and industry beliefs) which lead to customer loyalty. If the customer is highly satisfied with the products or services, then he or she is more likely to generate repeat purchases, cross purchases and word-of-mouth-referrals. Customer loyalty is created when a customer has satisfactory experiences with a business on a repeated basis.

Figure 2-1



Consumers in general evaluate the company's performance on three major dimensions:

- **Functional feature of products/services:** They are core offerings of a product or service and include aspects such as quality, value for money, product/service variety, reliability and personalisation, etc.
- **Service competence:** For many customers, this dimension is very important. They may use service competency such as trustworthiness, customer care, communication and efficiency as a differentiator when the product or service is difficult to evaluate.
- **System and support** such as delivery, after-sales service, convenience and information, etc. wrap around the core offering and can make a difference in customer loyalty.

These sets of expectations will match the actual experiences and subjective perception to shape the customer's overall perception and marketplace impression.

- **Perception of current provider:** Most customers will compare the service appreciation and satisfaction and rank the performance of the company against other companies in the industry.
- **Perception of competitive superiority:** This is the customer's perception of any expected gain (or loss) by switching providers and the value that competitors offer.
- **Industry beliefs:** Each customer brings his or her own personal perspectives about the category or industry within which the company operates when making loyalty decisions. These impressions are the foundation for decisions such as quality/price tradeoffs, willingness to consider alternative providers and the credibility of promotional material.

If the customer is highly satisfied with the products or services, then he or she is more likely to generate repeat purchases, cross purchases and word-of-mouth-referrals. However, there is a fundamental difference between customer satisfaction and customer loyalty. Customers indicating a high level of satisfaction are not or will not be necessarily loyal. Satisfied customers will stay with a service provider until there is a better alternative offered to them. They have no emotional connection with the current provider. On the other hand, loyal customers will stay with the service provider as long as possible. Satisfaction is basically the customers' perception of a company's performance whereas loyalty is the positive behavioural outcome of the customers' perception. Loyalty is more complex because it is not based on a single act or attitude, but many different consequential factors that the customer takes into account under different situations with a product, service or company. Customer loyalty involves an emotional state of mind.

It should be noted that a customer's expectations being met today does not ensure future satisfaction. For example, a returning customer has further expectations based on his previous experiences with that company. An organization needs to take appropriate actions towards building and reinforcing customer loyalty by continuously monitoring customer satisfaction and loyalty, and being creative and innovative when it comes to introducing/refining products and services to meet or exceed customers' expectations. For example, a customer satisfaction survey gauges how well the organization meets its customers' needs, which customer groups are most vulnerable to competitive pressures, and how customer purchase behaviour (loyalty) is linked to customer satisfaction and other factors. By understanding what are crucial to motivate customers to come back for more, organizations can focus improvement efforts on issues that have the biggest impact on its customers. With keen competition and changing customer expectations in recent years, many organizations are under enormous pressure to enhance service and product quality, strengthen staff training and development, develop customer relations and customer relationship management (CRM) as well as improve marketing and promotion strategies. For example, providing good value for money enhances customer retention. Some companies even develop, design and implement a comprehensive product/service package to retain as many customers as possible. This kind of comprehensive

package is of particular importance because service represents a combination of offerings to the customer. When a customer flies with an airline, he or she is buying the service from the ticketing agent, the check-in counter at the airport, the use of the guest lounge, the experience of flying and the service and food received onboard, free mileage and a range of lifestyle awards, etc. More often than not, relational tools such as loyalty programs, personal attention and direct mails can reinforce customer purchase decisions and widen the scope of a customer relationship, i.e. visit more often, spend more per visit. These relationships are represented in figure 2-1.

## Beyond satisfaction: delivering value to customers

Loyal customers can and do affect long-term business success. Over a lifetime, loyal customers purchase more. It costs less to retain loyal customers than to attract new customers. Loyal customers also happily refer other customers to buy from the company. Hence, customer loyalty directly affects a company's market share and financial outcomes. Customer loyalty ultimately leads to higher revenues and gives the company the edge to competitions. A loyal customer base is a valuable asset in competitive markets.

Here is a look at how service companies with satisfied and loyal customers like Tao Heung, Shell Hong Kong and Cathay Pacific enjoy business success.

In the highly competitive Chinese restaurant market, **Tao Heung Holding** has been known to have tremendous growth and expansion since the establishment of its first seafood hotpot restaurant in 1990. The strategy is to create value for customers and the brand. The management believes that creating a consistently superior experience will lead to a profitable growth. Since then, Tao Heung has created unbeatable offers such as the "one-dollar cuisine" and discounts at designated time slots, which in turn, have brought in more profits. Paradoxically, this business strategy is not based on profit maximization, and it is chosen because the company is dedicated to offer the best value for money for customers. Over the years, Tao Heung has reinvented itself by opening a series of theme restaurants - the fact is that customers' needs and values change with times and so it must change to satisfy them. There are several brands and over 30 restaurants under Tao Heung today. In order to meet customers' changing expectations, the company focuses on three major aspects: maintaining a quality environment, good value for money with creative dishes and innovative service, and continuous training of employees. In 2003, Tao Heung was the first Chinese restaurant to attain the 5-S certification. A Tao Heung Logistics Centre has been set up in Fotan to ensure consistent food qualities. In order to stimulate innovative ideas on food and services, cooking competitions are held monthly among its Hong Kong and mainland operations and the winning dishes will be offered on the menu. In September 2004, the company initiated a promotion scheme under which staff at restaurant level can apply for promotion that they see fit. Top management is also convinced that better internal communication would lead to better quality. Besides meetings between top management and all levels of staff, there are regular internal publications on company news and a weekly DVD that updates staff on the company's latest initiatives. A Tao Heung museum with exhibits displaying the history and culture of the company was established in August 2004, thereby promoting a sense of pride for its employees.

**Shell Hong Kong** truly understands the individual needs of its target customers. Products and associated services are created to engage customers. As the leading fuel retailer in Hong Kong, Shell has been offering competitive prices to the motoring public and its gasoline is now enhanced to offer new fuel economy benefits at no extra cost to customers: better mileage and fuel savings - Shell is the first oil company to introduce the most advanced gasoline and also the first oil company in Asia to introduce ultra low sulphur diesel which contributes positively to a cleaner environment. Immediately after a series of focus group discussions and customer surveys, a new loyalty program for motorists was laid out in order to earn customer loyalty. Launched in August 2003, the new loyalty program offered a fuel rebate of as much as 60 cents per litre on gasoline to customers, depending on their monthly consumption level. This rebate scheme is the first of its kind in the industry aiming to reward loyal customer with

practical benefits. On the road to nurturing a culture of service excellence, Shell Hong Kong has launched an in-house customer focus initiative since 2003, with six taskforces formed to promote and reinforce the six key elements of a customer service culture: Leadership Commitment, Customer Knowledge, Customer Connection, Business Partner Motivation, Streamlined Process and Employee Competence. A Customer Focus forum now meets every two months. A feedback system with incentives encourages staff to collect opinions externally and identify areas for improvement. The most recent Customer Focus campaign includes a residential camp, academic and practical workshops, lunch talks, product knowledge training, slogan competition and the moment of truth. All staff members, from top to bottom, have participated in these activities to help them learn and apply the spirit of Customer Focus in their daily activities.

Regularly voted as the top airline in the world by travellers, **Cathay Pacific Airways's** vision is to be "the most admired airline in the world" and good service delivery means "Providing Service Straight From the Heart" which can create a special experience for customers that keeps them flying with the airline. Perhaps what is special about Cathay Pacific is that customers keep experiencing better service - the company continues to upgrade customer experience through listening and responding to its customers. Customer satisfaction shown by key indicators is monitored regularly and loyalty index is compiled on a monthly basis. Customer feedback and ongoing dialogues with regular passengers are also conducted on an ongoing basis to identify customer segments and their behaviours. Staying close to customers enables the company to expand new routes, frequency, fleets and products for different customer groups. For example, it is one of the first airlines to provide in-flight email service and Internet access. For young passengers, travelling now simply means more fun on Cathay Pacific. There are in-flight entertainment that offers great selections and new Disney fun packs are available onboard all flights for children aged between three and twelve. In-flights food has also been improved. In recent years, the airline has worked with some of Hong Kong's top chefs and restaurants as part of its very successful "Best Chinese Food in the Air" promotions. To recognise frequent travellers, the airline has established a frequent flyer loyalty program, the Marco Polo Club, for over 30 years. The Club offers exclusive benefits to the most loyal Cathay Pacific travellers. Such benefits include worldwide lounge access, preferred check-in, priority baggage handling, priority waitlist, etc. Members that have joined The Club will be automatically enrolled on Asia Miles, Asia's leading travel reward program. Today, membership of Marco Polo Club and Asia Miles totals over two million and is still growing.

Loyalty, as organizations increasingly have come to realise, has a lucrative effect on business performance - loyalty helped Tao Heung to become one of the fastest growing Chinese restaurant chains, Shell Hong Kong and Cathay Pacific Airways to become leading companies in Hong Kong.

## 3. Changing Consumer Behaviour That Affects Loyalty

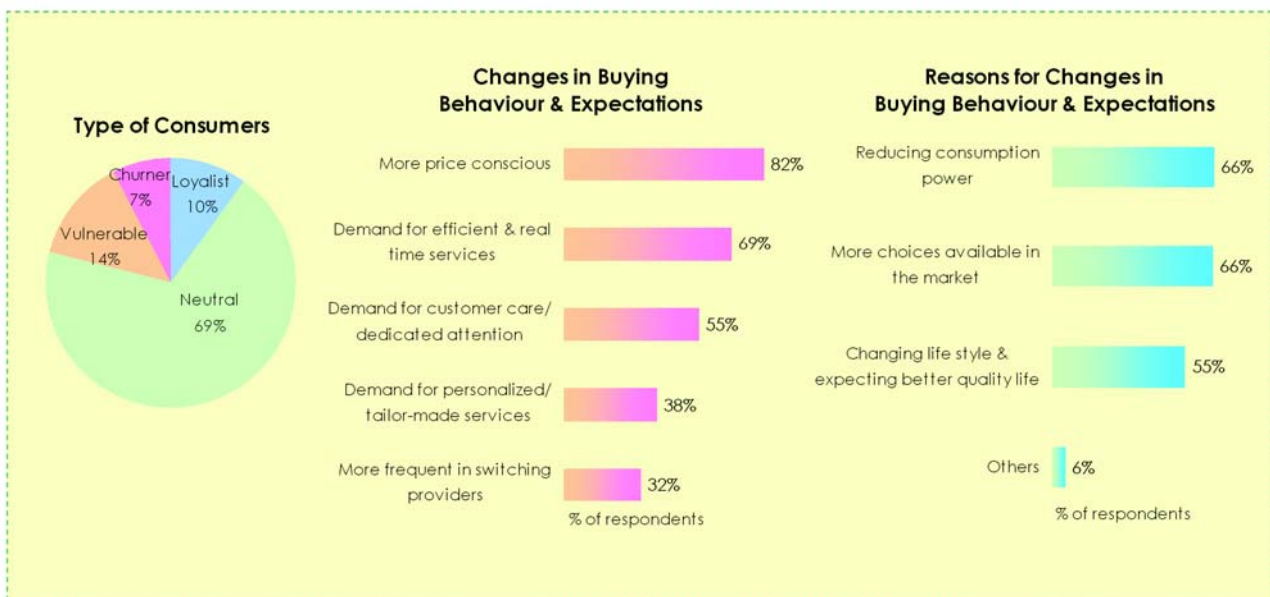
*"If we don't take care of our customers, someone else will."  
- Unknown -*

### Changing loyalty behaviour of Hong Kong consumers

The focus groups and telephone surveys with 501 general consumers and 600 service providers conducted between September and November 2004 provide wide ranging results about consumers' attitudes and experiences, their perceptions of service providers in Hong Kong as well as service providers' perceptions of their customers. Among the 501 customers we surveyed, some 10% were truly loyal to their service providers (i.e. they wanted to do business only with the existing service providers). Most customers (69%) considered themselves as "neutral", staying with their existing service providers subject to no change in the level of satisfaction. Another 14% classified themselves as "vulnerable", constantly looking for alternatives. Still, some 7% never stuck to one service provider or brand.

A number of factors are found to be influencing the loyalty and commitment of Hong Kong customers. Across the service sectors - from banking/financing to retail, catering, transport, hotel, telecommunications and personal services - consumers are constantly looking for service providers who could go beyond the basics to meet their needs and expectations. Most consumers have become more price conscious, demanding efficient, timely services and customer care/dedicated attention. Major reasons identified are:

- Customers have become more cautious in their spending in the past few years. Concerns over a weak economy and uncertainty of job situation in recent years have imposed a change on their spending habits.
- Much more choices are available in the market: consumers are in a more competitive selling environment for products and services of similar nature.
- Lifestyle and other social/demographic changes. The past decade has seen an increase in new immigrants, an aging population, couples having fewer children and at a later age, increased workforce participation by women and rising consumerism. Customers in general are smarter, better informed, and more intolerant of "hard



selling” than ever before. They expect doing business with service providers to be as hassle-free and gratifying as possible.

- Consumers have more comparative information at their disposal: They adopt new technologies and new channels for communication and information.

### Principle loyalty drivers

Consumers were asked in the survey to rate the determining factors to stay with a service provider. The priorities are:

1. Functional features of products/services
2. Service competence
3. System and support
4. Competitiveness and marketplace impression
5. Effort in customer retention

In the survey on service providers, we asked them to rank what they thought the main reasons for their customers to stay with them were. Interestingly, their answers were strikingly similar to those of the customers, with ‘functional products/services’ being the main driver.

Service Providers - What They Thought are the Important Attributes for Their Customers to Stay with Them	Overall Ranking of Key Driver	Consumer – Important Attributes that Would Affect Their Decision to Stay with Service Providers
<ol style="list-style-type: none"> <li>1. <i>Quality of products/services*</i></li> <li>2. <i>Value for money</i></li> <li>3. <i>Reliability/performance</i></li> <li>4. <i>Product/service variety</i></li> <li>5. <i>Personalisation</i></li> </ol>	<p><b>Functional features of products/services</b></p>	<ol style="list-style-type: none"> <li>1. <i>Quality of products/services*</i></li> <li>2. <i>Value for money</i></li> <li>3. <i>Reliability/performance</i></li> <li>4. <i>Product/service variety</i></li> <li>5. <i>Personalisation</i></li> </ol>
<ol style="list-style-type: none"> <li>1. <i>Communication*</i></li> <li>2. <i>Customer centric</i></li> <li>3. <i>Trustworthy</i></li> <li>4. <i>Efficiency</i></li> <li>5. <i>Dependability</i></li> <li>6. <i>Responsiveness</i></li> </ol>	<p><b>Service Competence</b></p>	<ol style="list-style-type: none"> <li>1. <i>Trustworthy*</i></li> <li>2. <i>Communication</i></li> <li>3. <i>Customer centric</i></li> <li>4. <i>Dependability</i></li> <li>5. <i>Efficiency</i></li> <li>6. <i>Responsiveness</i></li> </ol>
<ol style="list-style-type: none"> <li>1. <i>After sales support*</i></li> <li>2. <i>Comfortable environment</i></li> <li>3. <i>Quick delivery</i></li> <li>4. <i>Convenience</i></li> <li>5. <i>Information support</i></li> </ol>	<p><b>System &amp; Support</b></p>	<ol style="list-style-type: none"> <li>1. <i>After sales support*</i></li> <li>2. <i>Convenience</i></li> <li>3. <i>Quick delivery</i></li> <li>4. <i>Information support</i></li> <li>5. <i>Comfortable environment</i></li> </ol>
<ol style="list-style-type: none"> <li>1. <i>Perception of competitive superiority*</i></li> <li>2. <i>Personal perspectives about the product/service</i></li> <li>3. <i>Expected loss by switching providers</i></li> </ol>	<p><b>Competitive &amp; Marketplace Impression</b></p>	<ol style="list-style-type: none"> <li>1. <i>Personal perspectives about the product/service*</i></li> <li>2. <i>Perception of competitive superiority</i></li> <li>3. <i>Expected loss by switching providers</i></li> </ol>
<ol style="list-style-type: none"> <li>1. <i>Attracted by company's effort in product/service enhancement*</i></li> <li>2. <i>Attracted by customer retention program</i></li> </ol>	<p><b>Effort in Customer Retention</b></p>	<ol style="list-style-type: none"> <li>1. <i>Attracted by company's effort in product/service enhancement*</i></li> <li>2. <i>Attracted by customer retention program</i></li> </ol>

Note: \*1' - Highest percentage of respondents who selected it as the most important attribute.

Across the board, consumers consistently indicated that they valued particular attributes in products and services, regardless of industry, geography, product or service:

- **Good quality and value for money:** The ability to provide services and products of good quality and value for money. Consumers in general are willing to pay more for selected products and services that they value, in exchange for better quality and service. Conversely, they are willing to make trade-offs for lower-value products and services.
- **Trustworthy service:** The ability to provide what is promised - accountability and accuracy. Customers want to be assured that they are in capable hands, and that promises and commitments will be kept. Companies that deliver untrustworthy service will damage relationships with existing customers. By contrast, companies with trustworthy service constitute a positive image and open the door for future business.
- **After-sales support service:** To be prompt and helpful in resolving any problem. In particular, service hotline should be readily accessible (i.e. less waiting time for connection). Customers do not want to deal with several individuals on the same issue or speak with an answering machine or computer. They want to talk to a real, responsive and responsible person who will listen and help them in case something goes wrong.

An overwhelming majority (95%) of the consumers surveyed rated the customer service quality in Hong Kong as average or above average. It was pointed out that organizations in Hong Kong had become increasingly aware of the need for customer focus and customer satisfaction. For most consumers, loyalty programmes such as bonus point reward, loyalty card and end-of-year rebates were just only one element of the overall shopping experience, rather than the prime reason for choosing a particular service provider, while other factors such as quality, value for money, trustworthiness, etc. contributed more to foster loyalty.

## Motives/reasons for switching or staying

When asked what major reasons would lead consumers to switch or churn an existing service provider, the top three answers were “not satisfied with the products/services offered”, “not satisfied with the service quality”, and “lower-priced alternative available elsewhere”. However, when we asked service providers what they thought the major reasons for their customers to churn were, most of them cited “lower price alternative available elsewhere”.

### Loyalty Programmes

There are numerous loyalty programmes in existence and they have penetrated every industry in Hong Kong – retail, catering, travel, banking, finance, telecommunications, entertainment, transport, utility, personal services, even business-to-business. Loyalty programmes provide customers with rewards and additional value, sometimes surprise gifts to delight customers. Airline frequent-flier programmes have been a prototype for many of the loyalty programmes. In general, a loyalty programme must offer an obvious benefit to the customer, to be the most effective. The goal of these loyalty programmes is to persuade customers to use the company products and services as often as possible – in the best case, daily. There are five main types of loyalty programmes:

1. **Appreciation programme:** rewarding loyal customers with more of a company's products or service.
2. **Reward programme:** rewarding loyal customers with awards unrelated to a company's products or service.
3. **Partnership programme:** marketing to another company's database and allowing loyal customers to choose their rewards from either company.
4. **Rebate programme:** offering cash discounts on further purchases.
5. **Affinity programme:** building a lifetime value relationship with a customer based on mutual interests and not on the use of rewards.

<i>Motives/reasons for switching or staying</i>	<i>Reasons that consumers said they would switch</i>	<i>What service providers thought the reasons for their customers would switch</i>
Not satisfied with the products/services offered	1*	4
Not satisfied with the service quality	2	2
Lower price alternative available elsewhere	3	1*
Not satisfied with the system and support	4	7
Seeking for better products/services	5	5
Want to try out new alternatives	6	3
Attracted by others' retention program	7	6

Note: \* '1' - Highest percentage of respondents who selected it as the most important motive.

And, according to the survey, consumers said they would most likely stay with an existing service provider if there was product and service quality enhancement. The least likely reason to stay with an existing service provider was “enhancing marketing and advertising”, with some consumers being sceptical of the advertisements of service providers.

<i>Types of customer retention action</i>	<i>Types of action taken by service provider that would affect consumers' decision to stay or churn</i>	<i>Actions taken by service providers to retain customers</i>
Enhancing product and service quality	1*	1*
Improving customer service	2	2
Using pricing strategy	3	4
Enhancing system and support	4	8
Enhancing staff competence	5	3
Using loyalty and affinity schemes	6	6
Enhancing personalization and individualization	7	7
Enhancing marketing and advertising	8	5

Note: \* '1' - Highest percentage of respondents who selected it as the most important action.



While many consumers considered loyalty and affinity schemes not their main driver in selecting service provider, they considered it as a “nice to have” extra. For example, they were often delighted to see their service providers introduce their latest offerings and plans, take initiatives to waive additional charges, annual fees and offer special discounts for contract renewal, exclusive privileges to best customers, or go out of their way to give “surprise” card/call/cash coupons on special dates such as birthdays and anniversaries. Overall, consumers agreed that if the loyalty programme led to better service and a strengthened relationship, then loyalty could be consolidated and the results would be more frequent visits, repeated purchases and higher spending.

Kinds of retention or loyalty programmes that are considered effective by customers:

- Upgrades/special treatment such as an upgrade at a hotel, free drink or free dessert at a restaurant, a free phone from a telecommunication company, etc.
- Surprise rewards are very much like getting unexpected gifts from caring friends. These include birthday calls, cash coupons or big discounts.
- Buy-ahead discounts, expenses prepaid by credit card companies and special discount when the customer buys more, for example, training course packages.
- Reward after reaching designated purchase level. For examples, waiving of bank charges when the customer buys more related banking services.

And the less effective programmes are:

- Discount after reaching purchase level. Unless the discounts are substantial, most customers do not feel that it could encourage them to come back.
- End-of-year rebates. While most cash rebate programmes appeal very well to customers, waiting 12 months is too long and defers gratification.

Regardless of the type of loyalty programme, customers considered that no programme could overcome bad service and bad products.

## 4. How Successful Companies Retain Their Customers and Build Loyalty

*“Do what you do so well that they will want to see it again and bring their friends.”*  
 - Walt Disney -

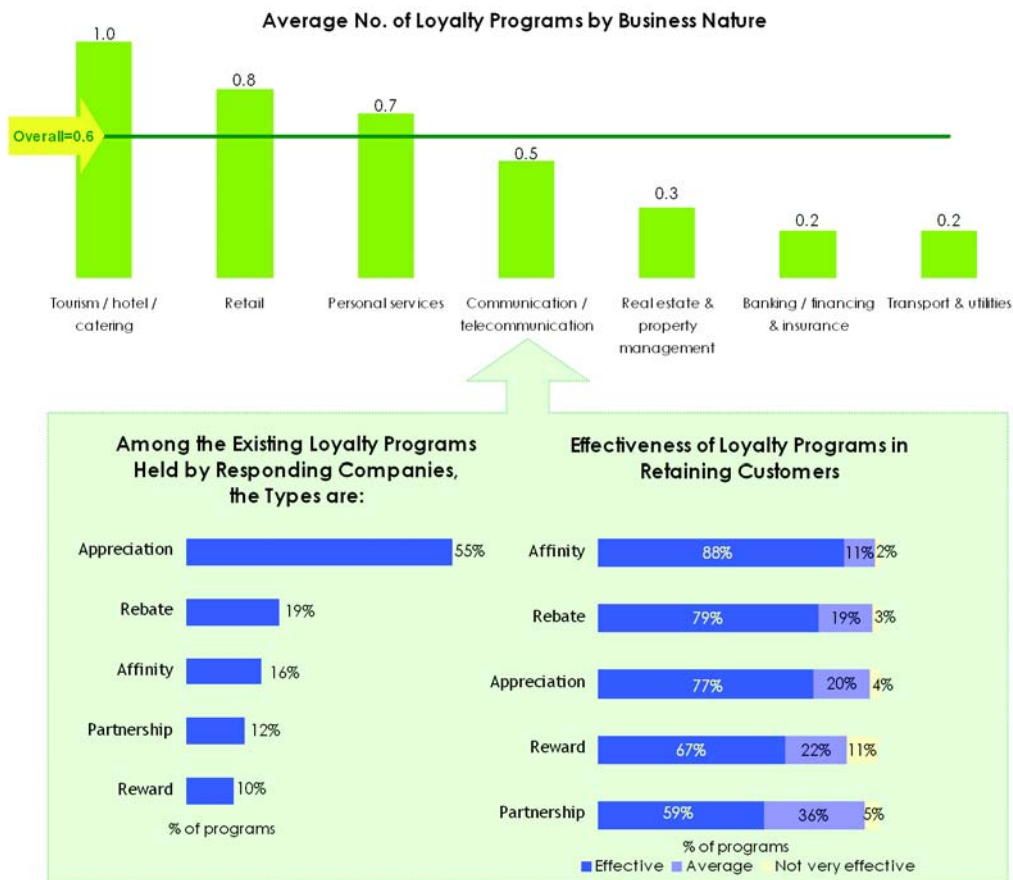
### Ways taken by Hong Kong service companies to retain customers

With wiser, more demanding consumers and keener market competition, service providers opined that it was more and more difficult to retain customers in recent years. In our survey, some 600 companies from different service sectors shared with us what they had done to build customer loyalty.

The majority of Hong Kong companies have been engaging in various strategies to gain customer loyalty: enhancing products and services quality, improving customer services, enhancing staff competencies, using pricing strategies, enhancing marketing and advertising, and using loyalty and affinity schemes, etc.



In recent years, many companies have introduced loyalty programmes with the goal of improving customer loyalty and revenues. Loyalty programmes have penetrated virtually every industry - hotel, catering, retail, personal services, telecommunications, real estate, property management, banking, insurance, transport and utilities - with tourism/hotel/catering establishments having an average of one loyalty scheme for their customers.



Among the various types of loyalty schemes offered by responding companies, the majority are appreciation programmes. Next on the list are rebates, affinity, partnership and reward programmes. Companies were also asked to rate the effectiveness of their loyalty programmes in retaining customers. Overall, affinity programmes were rated as “effective” whereas reward programmes were considered “not very effective”.

Regardless of the type of loyalty programme, the most effective loyalty programme should consist of a number of complementary tools.

- **Membership club.** As one advertisement goes, “Membership has its privileges.” Club membership typically entitles customers to receive a welcome gift and a special discount on all regular-priced products and services. In addition to special pricing, some clubs offer perks such as dedicated telephone hotlines, free newsletters and magazine subscriptions. Among the loyalty programmes offered by different industries, airlines have a relatively complex customer offering. For example, a frequent flyer typically receives not only a base reward level but also a multiplier bonus based on which ‘tier’ they have achieved. Also linked to the tier are operational and product benefits, such as lounge access and preferred seating, plus the value ‘status’ benefit of a gold or platinum card. In addition, frequent flyers can achieve ‘Elite tier’ status in more than one airline programme.
- **Frequent buyer points.** This is awarding customers with points for every dollar they spend. After accumulating a specified number of points, customers can opt for redemption of certain free products or discounts for other products.
- **Rebates.** This provides members with an annual patronage refund based on the amount of money they spend on the company’s services in the year.

- Newsletters and emails. The advent of the Internet has made it possible for companies to send regular emails and newsletters to customers who opt to receive them. By sending notices regarding new offerings, these emails and newsletters can reinforce the bond between the company and the customers.
- Special treats, surprise gifts and special activities. These include special treats and surprise gifts on birthdays and anniversaries, free pickup and delivery of products as well as free seminars and members' gatherings to reinforce relationship with best customers.

It should be noted that offering a loyalty scheme does not ensure loyalty. Loyalty is the sum of a company's products, services and people, not a single part. Until these parts are in good shape, it is probably best to defer the introduction of a loyalty programme. Successful loyalty programmes allow companies to develop customer profiles and track their buying habits and preferences; use the market data to refine marketing mix, including changes to pricing, delivery and utilization of resources. The biggest challenge to securing this long-term relationship, according to companies, is the difficulty in understanding the key drivers and triggers.

## Building customer loyalty

In the survey, some companies stand out for their passionate pursuit of service excellence and in so doing secure a substantial number of loyal customers. In the following section, we will examine a range of strategies that have been successfully used by these companies to gain a competitive edge in respective industries.

### Promoting a customer-oriented culture

**Hongkong Post** has always been at the forefront of attaining service excellence. The "Care from The Heart" programme, started in 1998, promotes a customer-oriented culture from the directorate to frontline staff in order to serve the public in the best possible way. A series of training programmes including foundation training, field coaching and workshops for all staff were launched. In 2001, Hongkong Post launched another training programme to strengthen the co-operation among staff, to build teamwork and to foster positive working attitudes. The philosophy of "A Complaint is a Gift" is crystallized in managing customer feedback. This customer-oriented culture has paid off with positive response from within and from the public. According to a public perception survey conducted in 2003, 97% of members of the public, 96% of business customers and 97% of philately group customers were satisfied or very satisfied with services provided by Hongkong Post. Within the organization, staff morale scored a quantum leap with 96% of staff reporting high morale compared to 76% in 2002/03. Through continuous improvement and innovation, an operating surplus of HK\$17 million was achieved by the end of 2003/04.

### Bringing about change

**Hong Kong Jockey Club** understands that delivering a total quality experience requires a complex process involving members of staff performing a multitude of functions. As such, the Membership Services Division launched its "Journey to Excellence" staff training programme in 2001. Every employee within the division now carries a "card" with him/her that spells out the club's vision, mission, philosophy and guiding principles. Employees do not need to be reminded constantly of servicing or customer-oriented rules, as they are always thinking about better ways to serve the company and customers. The Membership Services Division is always reaching out to more than 23,000 club members and their families. For example, an "ambassador" is assigned to each new member during the first three months of membership to make him/her feel at home; the introduction of a membership management system to facilitate more personalised service as well as more convenient booking services; the achievement obtained by The Trackside Catering continues to out perform itself. The distinguished ISO9001:2000 quality certification was acquired by the team in just nine months.

### Staying close to customers

At **CLP Power**, Hong Kong's largest electric utility, listening to what the customers say is a major driver of customer service. The task of listening to two million customers and the general public is achieved through different channels. For example, regular meetings are held with the Customer Consultative Group, consisting of members nominated by the Consumer Council, and 14 Local Customer Advisory Committees across its supply area. CLP Power also conducts quarterly focus group meetings and regular face-to-face surveys with customers to obtain first-hand opinions. It collects customer feedback cards to keep track of performance. A mystery shopper programme is put in force to gauge the performance of its frontline staff at the customer service centre and call centre. In response to customer suggestions, a new electricity bill with a re-designed layout was introduced in November 2003. The re-designed bill provides more space for important bill messages, thereby enhancing communications with customers. To make bill payments more convenient to customers, CLP accepts different electronic payment methods, such as payment via ATM, credit card, over the Internet or by phone. Payments can also be made at all CLP Customer Service Centres and Hongkong Post Offices. Other service enhancements and innovations were also introduced to bring a new level of service experience to customers. To name but a few, two new value-added services were introduced in 2003 - 'Personal Home Moving Assistant' and 'Home Appliance Consultant' - offering customers one-stop advice and assistance on home-moving matters and choices of electrical appliances. Over the years, CLP Power has consistently scored high in customer recognition and appreciation.

### Innovative new products and services

**PCCW** is the largest communications provider in Hong Kong and one of Asia's leading IT&T players. While its competitors have fought for market shares over the past few years, its strategy to win over and retain customers has been innovating, adding value and maintaining high quality of services rather than taking part in the price war. The introduction of the New Generation Fixed Line Services in July 2003 has enabled customers to enjoy short messaging service (SMS) and information downloads onto large-screen phones. The fixed-line SMS offering was the first of its kind in the world, in terms of its dual-language facility. In September 2003, the company launched NOW Broadband TV. Using broadband technology over existing household phone lines, NOW TV brings customers a useful, convenient and efficient new service. Phone lines into the home were geared to deliver fast Internet access, high quality television as well as telephone and fax services - all at the same time. Customers responded positively to PCCW's initiatives. By year-end 2003, a little over five months after the launch of the New Generation Fixed Line Services, more than 650,000 residential and business users have subscribed. NOW Broadband TV has also seen strong sign-ups, attracting more than 205,000 subscribers in its first four months of launch. A new trend is started to increasingly integrate fixed-line phone with different lifestyles in Hong Kong. PCCW achieves a slowing in churn among its residential and business customers. There was a 25 percent reduction in net line loss between the first and second halves of 2003. No. 1 Club, PCCW's loyalty club, handles its customer rewards programme. It continues to grow with membership of around one million.

### Creative market segmentation approach

Leading mobile operator **SUNDAY Communications** takes a creative approach focused on market segmentation and service innovation by providing tailor-made service to meet the lifestyle needs of different customer segments. The company reorganised its operations in 2003 according to distinct customer segments, namely youth, ethnic, corporate and the mass market. Each is run as a sub-business, responsible for products, pricing, promotion and place of business, with separate targets for subscribers, churn and other metrics. To support these segments, SUNDAY launched innovative services in each segment. For example, it has expanded its proprietary Location Based Services (LBS) technology for data services and has maintained its position as market leader in enterprise LBS applications for logistics and field service dispatch in the corporate segment. For the mass market, it has launched "Family Watch" service that allows family users to locate each other, and "SARS updates" which enabled

callers to identify affected buildings in their calling areas. In the youth segment, it has launched interactive LBS games. SUNDAY also launched wireless LAN roaming service for business customers. Although its data and market segmentation initiatives are still in early stages, the results are promising and begin to contribute to overall customer acquisition and retention. Data services revenues grew by 38% in the first half of 2004.

### Providing a wide range of services

Albeit being a renowned agency in the secondary residential property market, **Centaline Property Agency** does not confine itself to provide only agency services. The company identifies new opportunities for growth and has successfully expanded its business. Wide ranging new services providing information/professional advice on legal and financial matters are introduced, targeting customers at home and at work. Centaline set up CentaHome Services, a subsidiary of the company, to provide a one-stop service for customers in starting a new home or business. It has also established another subsidiary, Centaline Surveyors Limited, to provide professional service in the areas of valuation, rental value assessment, lease modification, and negotiations on premium and compensation payments. The new businesses tap into Centaline's greatest strengths - its local network of contacts and recognized service quality. While professional estate surveying firms are generally less active in secondary market agency business, and estate agency companies generally do not provide professional valuation services, Centaline services are both professional and comprehensive.

### Serving with Passion

**Standard Chartered Bank (Hong Kong) Limited** is one of Hong Kong's three note-issuing banks and a Chairman Bank of the Hong Kong Association of Banks. Competition among the banking industry in Hong Kong is becoming more and more intense. Whilst realising innovative products play an important role in attracting customers, Standard Chartered believes the real key to acquiring repeated patronage from customers is service quality. To create great customer experiences, Standard Chartered has set up a dedicated Customer Experience Management department to transform the way it treats its customers with a holistic approach. At the same time, Standard Chartered has embarked on its "Outserve" journey to build a customer-focused culture in the organisation with an objective of differentiating itself from competitors and achieving number one in customer loyalty in the market. Top management at Standard Chartered are walking the talk by meeting customers regularly to solicit their views. To make the strategic intent relevant to every staff, Standard Chartered has also engaged all the staff in the "Outserve" journey, so as to help them better understand the new customer service model and acknowledge the roles they play in the transformation. Standard Chartered believes that when each and every one of its staff possesses and shows the "passion to serve", customers will be able to experience a real difference.

### Training to "grow continuously"

**Urban Group**, Hong Kong's largest property asset and facility management group, values people as its biggest asset. The company redefined labour relations through introducing the concept of "human capital" in 2002. At Urban, its 4,200 strong workforce is valued as "quality working partners", emphasizing mutual trust and teamwork. Urban believes that only satisfied employees are able to provide "six-star service" to exceed customers' expectations. Hence, it has expanded its range of training methods and reapplied valuable knowledge back into daily operations. Its Knowledge Management System encourages the sharing of knowledge among employees. Under the system, employees are able to express their ideas openly and share their experience on a range of topics. It also encourages individual professional advancement in different forms of education and training subsidies for employees. It has established a scheme to encourage staff to attain professional qualifications in property and facility management. In 2002, the company's total training hours exceeded 50,000. According to the Employee Satisfaction Survey conducted in 2003, 94.5% of employees in Urban Group felt satisfied.

## Generating employee motivation and commitment

**TNT Express** is a leading business-to-business express delivery company. It emphasizes the importance of people and communication. Being the first company to achieve worldwide recognition as an Investor in People organization, TNT's business philosophy is "Management by Passion and Understanding" and stresses the importance of mutual trust, teamwork and transparency within the company. Top management develops an atmosphere of mutual trust and acts as the prime motivating factor. In addition to regular management and communication meetings, members of staff can write freely their comments and opinions anonymously via a web site. On a Sunday every six months, employees are encouraged to call top management direct on their phone to voice their feelings. If there are any grievances or suggestions, top management will openly discuss with employees. It is this practice that creates motivation and commitment, a positive influence on the attitude of all employees within TNT. Today, the company has very low staff turnover of less than 1%.

## Using loyalty schemes and affinity programmes

Like many successful companies, Chow Sang Sang, Clean Living, Spaghetti House and Dah Chong Hong (Motor Service Centre) have very loyal customers. Let us take a look at the effectiveness of their different loyalty programmes.

### 1. Programme name: Star Shoppers

Background and offers: Introduced in 1995 by **Chow Sang Sang Jewellery**, the loyalty programme is the first of its kind in the jewellery industry and membership now exceeds 400,000. Chow Sang Sang operates two brands - Chow Sang Sang and Emphasis - with shops in Hong Kong, Taiwan and mainland China. Members are entitled to purchase discount at Chow Sang Sang and Emphasis. Other privileges include jewellery seminars and previews, latest jewellery fashion news, free jewellery cleaning service and other joint promotion offers.

Success factors: This pure appreciation programme is the simplest form of value exchange, and is successful for Chow Sang Sang since it enhances the brand and rewards its best customers by giving them more of what they like, whether they buy in Hong Kong, Taiwan or the mainland. While not differing too much from other retail loyalty programmes, Chow Sang Sang has managed to separate itself from others with its superior customer service and being a leader in its industry and innovation. It became the jewellery industry's first in many instances: set up a corporate Web site and Intranet to enhance communication with customers and staff in 1995; obtained ISO 9002 accreditation in retail management in 1998 [ISO 9001:2000, later in 2001] and established the first e-shop 'chowsangsang.com' in 2001. It is about to open a jewellery store inside a theme park - Hong Kong Disneyland. For the first time Disney will work with a jewellery retailer to operate inside its Park.

### 2. Programme Name: Clean Living Membership Redemption Programme

Background and offers: **Hang Lung-Hakuyosha Drycleaning**, Hong Kong's largest dry cleaning service provider, rolled out one of the earliest rebate programmes in the dry cleaning business in the 1990s. Membership now exceeds 40,000. For every certain amount of spending, a stamp will be awarded. Each filled-up member card can be used for a cash rebate in the next dry cleaning order.

Success factors: This rebate programme works because it is based on retaining and rewarding customers who have a very specific thing in common - they use Clean Living for their cleaning service. This programme helps the company add many new members to its database. Clean Living's success is also to a large extent based on the fact that their services have been conceived as high quality - The Clean Living policy, which guarantees total satisfaction, also strives to make customers' life easier, for instance, by being one of the pioneers to introduce free pick up and delivery service in the industry. A Japanese hotline was also added in March 2003 to better service its customers.

### 3. Programme Name: Spaghetti Club

Background and offers: **Spaghetti House**, the largest spaghetti and pasta restaurant chain in Hong Kong, started the club in 1995. Membership is estimated to be over 100,000. Members are entitled to discount for dine-in or take away, plus exclusive birthday offers such as birthday cash coupons.

Success factors: Spaghetti House has been successful in translating their loyalty data into dollars, and creating new business strategies. The company believes in giving customers what they want. The company goes directly to these customers to ask them what they think of their service by conducting monthly focus groups to test new ideas and new dishes or to receive valuable suggestions. Using feedback form, customer surveys and mystery shopper surveys, customer opinions are collected. Based on customer comments, the company is able to develop seasonal and creative dishes from time to time. Spaghetti House now offers a daily menu of over 100 items. To keep the company image trendy and classy, different in-store promotional activities as well as TV and press advertisements are used. It also holds various food festivals for seasonal products periodically for the taste buds of its valued customers. All these strategies have helped the company to achieve its mission as “The Most Preferred Brand” in town.

### 4. Programme Name: DCH Motor Club

Background and offers: As one of the largest motor service groups in Hong Kong, **Dah Chong Hong (Motor Service Centre)** set up the DCH Motor Club in 1996 as an expression of gratitude to its loyal customers. Currently the largest car-owners' club in Hong Kong with over 30,000 members, DCH Motor Club carries the mission of providing satisfying experience to car-owners through the ownership of their cars. The club offers discounts on a wide array of after-sales motor service including general maintenance service, pick-up and delivery service, as well as other car-related offers like fuel refilling, car magazine subscriptions, etc. In addition, there is also a well-developed Bonus Program for members to earn bonus points upon service, for redemption of exclusive branded collectible items.

Success factors: DCH (MSC) has created a club for its customers devoted to their cars. The company goes all out to make members and their families happy. Different activities are organized regularly to enhance the different life styles of members. To strengthen the relationship with members, some of the activities are tailor-made for motor enthusiasts and some are more family-friendly. Members are also updated with a quarterly newsletter which includes information on vehicle maintenance and event programmes. A website was set up in 1998 for members to acquire technical advice, to redeem gifts, to participate in fun games and get the most updated news from the club. In addition, members are regularly invited to participate in the company's mystery shopper survey. Birthday cards are sent to car-owners on the “birth date” of their cars to share with them the joy of owning the car. It also serves to remind car-owners of the car warranty period. Since the launch of the club, membership has been growing and the spending and satisfaction levels among members have proved to be higher than non-members.

## Establishing a personality

For leading financial service provider **MLC**, it is important to create a company image in a highly competitive market. The company has been successful in creating a special atmosphere at its customer contact points. It has opened a new service centre that features a unique “ocean theme” decor. Back at the office, employees are also using the same interior design and state-of-the-art furnishings including a modernised pantry and a giant plasma television. Top management believes that only satisfied employees are able to deliver quality services. Actually many of the ideas for decoration, furnishings and service improvements come from employees. Customer service staff are trained to have a receptive attitude and are ready to help. This is what MLC is all about: attention to every little detail to ensure quality service.



### Valuing the Customers' Feedback

As a leading third-party pensions administrator in Hong Kong, the growth **CommServe Financial** has attained in its pension business is attributed to the value and emphasis the company places on customers' feedback. To provide the best service, understanding the gaps between the expectations of customers and the services available is the key. A number of means including regular customer surveys and tracking through the company's Customer Management System (CMS) are used to collect customers' feedback. All feedback is consolidated on a monthly basis and will be reviewed by management to determine if the feedback can be adopted. In the past 2 years, more than 350 suggestions have been gathered and close to 80% of the feedback collected has been implemented. While some of the instigated measures might involve minor changes in practice, other might entail major enhancements to systems such as improvements of its online services to include more member enquiry facilities and revision of statements to a more user-friendly format. Once the suggested measures have been implemented, a phone call is made to the customers to advise of the implementation of the new measures. Customers are appreciative of these follow-up calls.

## 5. Keep the Edge Through Measuring Customer Satisfaction and Loyalty

*“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”*

- Sam Walton -

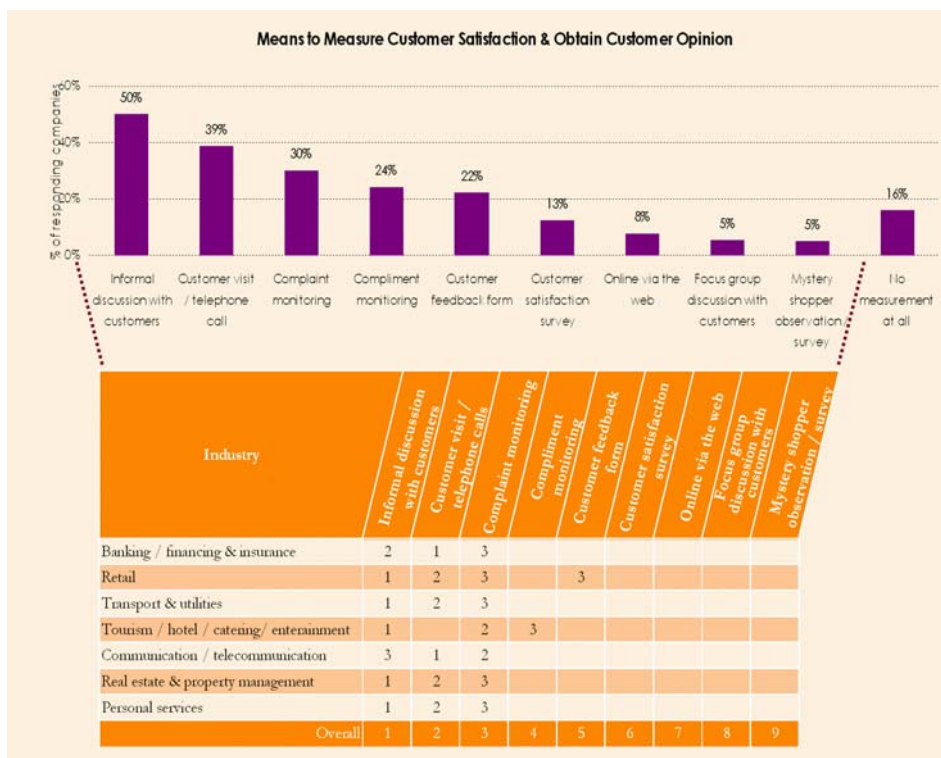
### Measuring and monitoring customer satisfaction and loyalty

For most of the companies we looked at, measuring and monitoring of customer satisfaction and loyalty are used to achieve one or more of the following objectives:

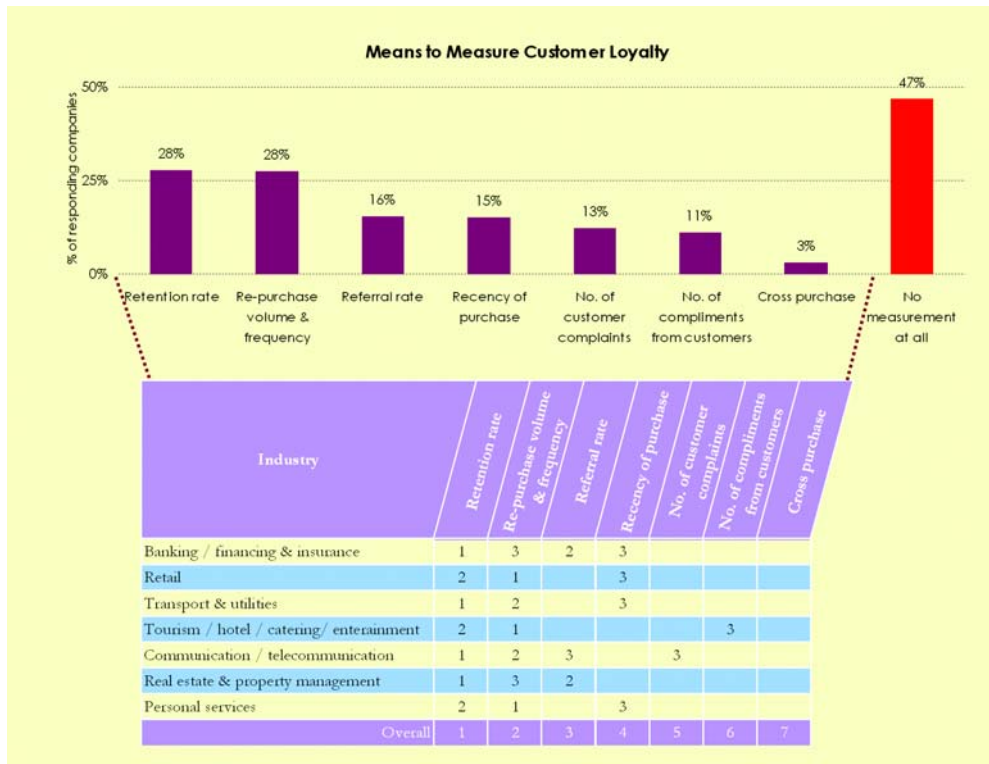
- Increase service quality awareness
- Identify strengths and weakness
- Identify and reward staff for exemplary performance
- Identify drivers for customer satisfaction in different service and customer segments and their relative importance
- Identify ways to establish customer loyalty or customer delight programs
- Identify possible improvement measures

Most companies employ a combination of tools such as informal discussion with customers, telephone calls and on site visits, complaint and compliment monitoring, customer surveys, focus group discussions, and actual customer involvement in certain affairs. Benefits of these measures are quite broad. They include boosting retention, influencing customer loyalty, encouraging quick changes for changing market, and identifying new markets and opportunities.

We found the majority (84%) of the surveyed companies keep track of customer satisfaction while only slightly more than half (54%) of the companies measure customer loyalty.



For the 47% of companies that have no measurement on customer loyalty, some gauge the overall performance and effectiveness of the company's action on customer loyalty by revenue growth and changes in market share.



Informal discussion with customer is the most popular means of collecting feedback from customers as frontline service providers are in the best position both to elicit feedback from customers and improve customer satisfaction accordingly. While many organizations elicit feedback from the frontline, not many are successful in obtaining much value from it. Why? At times unfavourable comments are lost in lower levels of the organization out of fear that it will result in penalties by management. Being the first hair salon in Hong Kong to commit to a “Satisfaction Guaranteed. Tipping not Necessary” policy, **Salon Esprit**, a wholly owned subsidiary of Esprit Holdings Limited, promises 100% customer satisfaction and top management makes sure that the Salon does everything possible to provide it. Customer Service Officers and a Hair Consultant at each of its salons make sure that individual customers are well catered for. Some customers might need to spend hours at the salon. The Hair Consultant and Customer Service Officers do their best to make the time pleasurable with friendly chats with customers. Free drinks, food and magazines are thrown in. They also handle customers' complaints instantly and with a personalised approach. There is no doubt that good customer service comes first at Salon Esprit and customer feedback is taken seriously because it can provide the trigger for service recovery efforts that are essential for total customer satisfaction.

Other tools such as telephone calls and visits to customers, complaint and compliment monitoring, customer surveys, observations, casual gatherings and focus group discussions can also be very effective. While each method for obtaining inputs regarding customer satisfaction and loyalty yields data of somewhat different reliability and meaning, they can provide a rich and reliable source of information for management when taken as a whole. However, it requires that all such data eventually reach a common point in the organization whose responsibility it is to track and interpret such data, converting them into information for dissemination to the right places.

### Use measurement as a tool for customer communication

**Kowloon Motor Bus (KMB)** places great importance on understanding and meeting customer needs. In order to adapt better to what the customers expects, KMB gauges satisfaction with customer satisfaction surveys, image studies and market surveys. Various communication channels have been developed to funnel customer feedback. The “Passenger Opinion Cabin” travels to different districts to obtain customer feedback, while Passenger Liaison Group Meetings are held each year to explore ways of improving service. KMB representatives also attend meetings with District Councils and community groups, while representatives from the Councils are invited to visit KMB to discuss ways of enhancing bus services, as well as the KMB Customer Service Hotline and Customer Service Centres. KMB has established a passenger club called FRIENDS OF KMB. Through this club, its 2,400 members not only actively participate in voluntary work and recreational activities, but also engage in improvement plans and make suggestions to KMB. Based on customer surveys and feedback, many enhanced services have been introduced. In 1998, KMB was the first transport operator to introduce super-low-floor easy access buses which provide improved accessibility to the disabled and elderly; and in 2002 the company built Hong Kong’s first air-conditioned passenger waiting lounge with advanced interactive service at Lam Tin MTR Station Bus Terminus. As a major communication hub with customers, the Hotline has been extended to be available 24 hours a day throughout the year since 1993. In 2002, KMB launched its first Intelligent Customer Information Station at Tsim Sha Tsui Star Ferry bus terminus to provide convenient services to local passengers and tourists alike.

### Measurement for better quality service

**Hong Yip Service Company**, one of the largest property management companies in Hong Kong and a subsidiary of Sun Hung Kai Properties (SHKP), started an internal quality assurance scheme in 2001 aiming at raising both the physical state of properties managed and the management service to a specified high standard in five years. To ensure high service standard could be maintained, Hong Yip has a set of internal monitoring system. It includes seeking opinions of tenants and having mystery shoppers doing spot checks in addition to SHKP’s internal audit monitoring. Senior Hong Yip management also makes regular visits to customers’ home and listens to their concerns. There is a 24-hour hotline to respond to complaints that require immediate attention. The “Privilege Home Services” programme is designed to relieve customers from trivial and tedious household chores and to enjoy a trouble free leisure living. The scope of the Privilege Home Services in different buildings corresponds with individual arrangements and locality. It ranges from newspaper and magazine subscription, minor home maintenance and repair, door-to-door laundry, catering, meal delivery, delivery and custody service, daily mail drop-off, sales of stamps, home-cleaning and pest control, etc. Since 1995, Hong Yip conducts annual customer satisfaction survey to gauge tenants’ satisfaction with management services. Satisfaction levels have risen steadily each year, reaching 97.8% in 2003. In 2004, Hong Yip was the first property management company to receive Q-Mark certification in Hong Kong.

### Use measurement as a motivation tool

Not only can measurements be used to identify what goes well with customers, and thus enable the company to make necessary changes, they can also be used to motivate people in the organization to act. Convenience store chain **Circle K** uses the results of its mystery shopper survey and customer satisfaction survey on its network of 200 stores to identify specific improvements to be made. It also rewards employees on scores attained or progress made since the last measurement. Portions of their bonus are linked to these mystery shopping and customer satisfaction results. The results are easily accessible to everyone - they are posted on the company’s newsletter and at the back office of each retail store so that every employee can look at the latest results. Employees in each retail store can work as a team helping each other. This also creates healthy competitions among stores. Such a monitoring system can help Circle K’s top management to offer timely help to stores that

stumble. In a recent competition on Mystery Shoppers Program across Hong Kong's service industries, Circle K won the 'Service Category Leader' award in the 'Supermarkets/Convenience Stores'.

### Measuring total customer experience

**Hewlett-Packard HK** focuses on improving the overall experience consumers have with technology. Its measurement system measures customers' perception of the products and services they deliver throughout the eight stages of its total customer experience (TCE) system - aware, choose, order, install, learn, use, support and upgrade. That means satisfaction is measured on each contact with the company. The advantage is that satisfaction or dissatisfaction can be more closely related to a particular experience or action than it can be with broader customer satisfaction surveys. Thus, improvement can be pinpointed more effectively. Applied globally at all HP offices, the HP TCE measurement system consists of different phases of measurement: From measuring the overall end-to-end customer experience cycle by customer segment; down to a specific process such as call center, compliment and complaint handling system, etc. In measuring customer loyalty, HP uses customer loyalty index (CLI) and customer risk index (CRI) as composite measures of customer loyalty and risk. For example, if the survey results show that loyalty index is at risk or performance not satisfactory, HP account managers will immediately develop improvement plans and resolve with customers. As the measurement is done worldwide on a regular basis, it tracks country performance and the results are used to benchmark with HP competitors. The TCE report is circulated throughout HP offices and solutions developed by one country are shared with other countries.

## 6. Use Customer Loyalty to Drive Business Success

*“Here is a simple but powerful rule - always give people more than what they expect to get.”  
- Nelson Boswell -*

It is widely recognised that it is more profitable to keep existing customers than to win new ones. Real customer loyalty involves more than just making repeat purchases. They will ultimately lead companies to drive profit and success. This final chapter offers some highlights of the important ingredients for customer loyalty. In addition, successful companies in the survey also offer valuable insights into the most basic ways companies of any size and of any nature should do to maximise customer loyalty.

### What are the important ingredients for customer loyalty

Customer loyalty is driven by a combination of customer perceptions such as perceived quality and value of the products and services and is further subject to relational instruments such as loyalty programs and personal treatments. Keeping customer loyalty involves many factors: product/service quality, value-for-money, trustworthy, communication, after-sales support, personal perspectives about the product/service and the company's effort in customer retention, etc. The survey found that consumers valued the following attributes the most in the products and services they bought:

1. Good quality and value for money
2. Trustworthy service
3. Good after-sales support

The survey also identified the top reasons for consumers to switch or churn. They are:

1. Not satisfied with the products/services offered
2. Not satisfied with the service quality
3. Cheaper alternative available elsewhere

But, consumers were most likely to stay if the service providers engaged in the following:

1. Enhancing products and service quality
2. Improving customer service
3. Using pricing strategy

To gain customer loyalty in the competitive market, organizations have created strategies not only for acquisition and retention, but also to win-back lost customers. In our survey, most Hong Kong companies have been engaging in continuous enhancement in the areas of products and services, customer services and staff competencies. However, to effectively manage customer loyalty, companies need reliable measures to track customer expectations, identify key drivers for customers to stay or to churn and the levels of customer satisfaction.

### Loyalty Strategies and Good Practices

From the moment a business first opens its doors, whether it is a small business that operates via the Internet or a large-sized business that operates in different parts of the world, a business should think about retaining customers and maximising their lifetime value. Successful companies in the survey offer some basic strategies for doing so.

1. Treat customers like assets. Customers must be treated like assets and retaining these assets must be a top priority for any company of any size.
2. Serve first then sell second. Always help your customers to identify solutions and show that they are appreciated as individuals. The idea of giving a little extra at no charge or giving more than is expected has proven successful in retaining customers. Do not oversell or over promise. People want to do business with a company that they understand, trust and feel good about.
3. Give your customers personal attention. Greeting customers by their name, remembering their preferences and birthdays, and smiles “from the heart” are extremely important.
4. Listen attentively to customers to truly understand their needs. Always stay close to your customers and listen to their voices. Talk to them, call them up on the phone or conduct surveys and research to find out, for example what motivates them to buy, what satisfies them and what you must continue to do to maintain their loyalty. Through this process, you get to know more about your customers to develop effective customer relations. You also understand their changing expectations and can then deliver on those terms which are critical to building strong customer loyalty.
5. Reward your best customers. Look for ways to thank your best customers for their patronage. Some of the simplest and most effective ways include sending them a card on special dates like birthdays and anniversaries, or calling them to inform them on the latest offering. If you have a loyalty program, the plan must offer your key customers a greater value as compared to competitors’ offerings.

In order for companies to gain customer loyalty, there are some common elements in strategy.

1. Establish your brand in the customer’s mind. As the survey shows, consumers want to do business with a company or brand that they trust and feel good about.
2. Focus on the customer and design effective communications that make life easier for them. For example, make your products and service easily accessible to customers; make it easy for customers to voice out their complaints and let them know that they have been heard; make payment easy and after-sales service accessible, when and where they are needed.
3. Resolve customer complaints and win back lost customers. Treat all complaints as gifts and establish firm guidelines on complaint monitoring. After all, customers that complain are still customers. Most dissatisfied customers will simply go to your competitor or make a bad reputation of you. Establish a process to recapture high-value customers that have departed.
4. Find the right employees. Employees and particularly those in the frontline are the primary contact customers have with your company. They represent your company and they are your company in the eyes and minds of customers. Hence, your employees constitute an important factor why people want to do business with your company. Hire qualified and competent staff and make sure they understand what makes customers stay or churn. Customer expectations must be well understood, and delivered upon for your business to survive. There should be a regular reporting process to ensure that staff fully understands the issues impacting loyalty and work together to improve organisational performance.
5. Train and reward employees. Successful companies believe that only happy and satisfied employees will deliver good customer service and effective customer retention programs. Treat your employees as assets and train them to provide the ultimate in customer care and retention. Recognize and reward those with good performance.
6. Work toward continuous improvement. As customers’ expectations evolve, companies must work continuously to find out what customers value. Data or feedback collected must be analysed, reported and used to drive organisational improvements that will enhance loyalty. As you make attempts for continuous improvements,

your customers will see that you are trying to become even better than you already are. And when you become better, your service to them will also be better. The result is more satisfied customers, more business and greater profits.

Establishing good customer retention practices should not be limited to big businesses. According to the survey, small businesses are often in a better position to develop close and personal relationship with customers. For instance, they can be more flexible in meeting customers' increasing expectations. Customer loyalty pays, and businesses must constantly work to provide the best product and service at all times. Follow these good practices adopted by successful companies and you will be on your way to maximising customer loyalty.

*"Treat every customer as if they sign your paycheck ... because they do."  
- Unknown -*



## Appendix A

# List of Participating Companies for Face-to-face Interview

### HKACE members

Cathay Pacific Airways Limited  
Centaline Property Agency Limited  
CLP Power Hong Kong Limited  
Dah Chong Hong (Motor Service Centre) Limited  
Hewlett-Packard HK SAR Limited  
The Hong Kong Jockey Club  
Hongkong Post  
The Kowloon Motor Bus Co. (1933) Ltd.  
Motorola Asia Pacific Limited  
PCCW Limited  
Shell Hong Kong Limited  
Standard Chartered Bank (Hong Kong) Limited

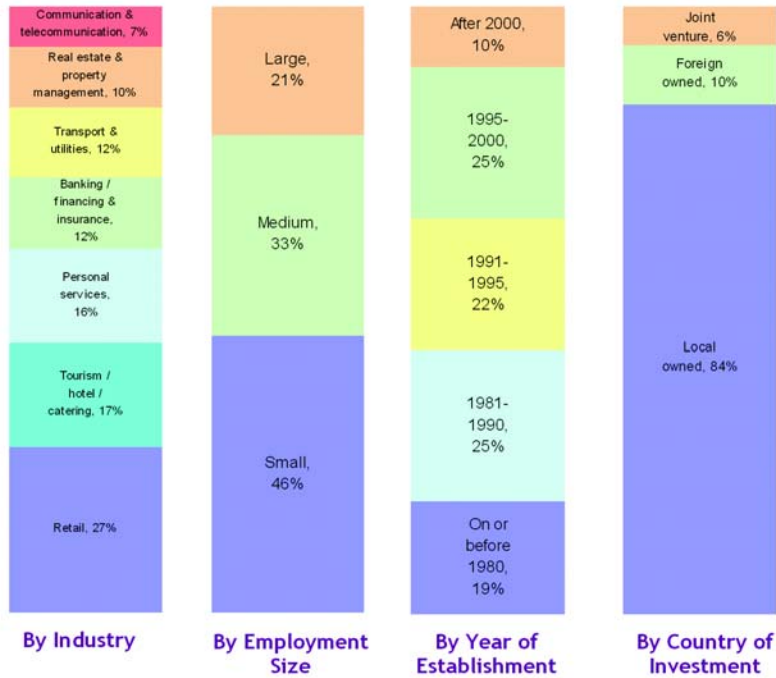
### Service Organizations

Circle K Convenience Stores (HK) Limited  
Chow Sang Sang Holdings International Limited  
CommServe Financial Limited  
Hang Lung-Hakuyosha (H.K.) Limited  
Hong Yip Service Company Limited  
MLC (Hong Kong) Limited  
Salon Esprit  
SUNDAY Communications Limited  
Tao Heung Holding Limited  
The Spaghetti House Restaurants Limited  
TNT Express Worldwide (HK) Limited  
Urban Property Management Limited

## Appendix B

# Profile of Responding Companies and Consumers

### 1. Profile of Responding Companies



### 2. Profile of Responding Consumers

