

Selling to the Right Personality for Loyalty and High Lifetime Value

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By John I. Todor, Ph.D. and William D. Todor, Ph.D.

Customers do not make all purchase decisions the same way. In fact, each customer has a split buying personality. One is inherently NOT loyal and can even be adversarial towards vendors. The other seeks trusting, committed relationships and the “value” these relationships deliver. Which one do your business practices court?

The indifferent personality focuses on getting the best trade-off between price and convenience. The underlying goal is to acquire utility to complete a task. The product has no personal meaning beyond utility. Indifference develops because value is in the task completion. The customer simply wants to get the task done and to do so at the lowest price and with the least effort then move on to something more interesting and enjoyable. The next time, the same price/convenience trade-off will come into play and the vendors start from scratch again.

With this buying personality there is no potential of building customer loyalty. There are no barriers to competitors and the battle is fought over price and convenience. Convenience includes the effort it takes to shop around. This type of repeat business is tenuous and should not be confused with loyalty. The customer is emotionally free to move from company to company.

Who courts this indifferent buying personality? Retailers who have sales every week. Companies that drop price, throw in incentives, or use other monetary tactics to close the deal. This behavior fuels the indifferent behavior of customers. It encourages them to shop around on every deal. Customers wait for sales or financial incentives they know are coming.

We all buy products using this personality. For many of us, it emerges when buying gasoline. We perceive very little difference across brands and view filling up as a necessary but onerous task. Price and convenience become preeminent in our decisions. A station selling gas for a few cents less will be busy while the station across the street will be idle, and brand is immaterial. Marketing strategies for the stations revolve around price reductions and incentives. On the other hand, stations located near freeway exits or in remote areas get away with charging significantly more. Why? The indifferent personality is willing to pay for the convenience.

In any of these situations the competitive balance can be overturned with the appearance of a lower cost provider. Witness Wall-Mart’s impact on retail business in small communities.

Only the most cost efficient vendor can sustain profit for any length of time using this approach. Even Wal-Mart’s profits took a notable dip a few years ago when they didn’t launch their Christmas sales before competitors. In an era of abundance and overwhelming choice, competitors lose out to each other, but the customer almost always wins. They win the battle to extract the greatest tangible goods for the lowest price or effort. That is how they buy a commodity but that isn’t necessarily what they really value.

There is another way to upset the competitive balance. Sell to the engaged buying personality. Consider Starbucks. Starbucks has the most expensive coffee drinks around. Starbucks rarely has sales, except on close-out items. Starbucks regularly raises prices. Yet, the line of customers is almost continuous from opening, which in some locales is 4:30 am, through closing. The important question to ask is why? And the answer is the customer is there for the total experience not the product. Customers build a relationship with Starbucks. The impact of this experience and relationship is powerful. Even in low income neighborhoods Starbucks succeeds because the people there are willing to scrimp elsewhere to splurge on their Starbucks experience.

Starbucks is not alone. Apple retail stores became the fastest retailer in history to reach a billion dollars in sales in its retail stores. Apple did so because they courted the engaged buying personality that resides in each customer.

Apple doesn't have that big a slice of the personal computer market. Dell and Hewlett-Packard constantly dual each other for marketshare and end up with razor thin margins and a tenuous claim of being number one. In addition, both face an ongoing struggle to maintain profitability. HP replaced its CEO and restructured recently and Dell is rumored to be considering restructuring now.

Apple has been enjoying a successful resurgence. Admittedly, the iPod has made a big contribution to Apple's sales-but that misses the point. Apple focuses on winning customer mindshare and they do a very good job of it.

Walk into an Apple store and what do you see? Products that are nicely displayed and plugged in so a customer can experience them. Plenty of space and an open feeling. No "buy me" or "25% off" signs. But look closer. At least 30% of the floor space is not devoted to products. A classroom is openly set in the middle of the store. The Genius Bar occupies prime real estate.

What is Apple up to? The classroom helps educate new and existing customers in how to get more out of their products. Customers learn how to engage in things that are meaningful to them-like editing digital photographs and sending them to grandma-even if it requires software that is not an Apple product. The Genius Bar is staffed by technical experts devoted to helping customers when they run into problems. The "Geniuses" do this for free. Sometimes they diagnosis a break down in the technology which the customer willing pay to repair. Sometimes they just help customers overcome "idea gaps" that keep them from getting the complex technology to do what they want it to do. Like many products today, computers are frustratingly complex and customers are frequently overwhelmed. Apple knows that these problems degrade the customer's experience and reduces their appetite to get more involved-and the desire to buy more.

The classroom and the Genius Bar are part of a larger strategy to get customers emotionally and mentally involved. When customers get involved they get more meaning from the experience. The more time a customer spends in the classroom or at the Genius Bar, the greater their lifetime value. The intrinsic gratification stimulates additional desire and commitment.

Businesses that court the engaged buying personality enable a customer experience that delivers emotional and psychological value. Products have utility, but that is not the value that drives future purchase decision. Nor is it the factor that builds commitment to the customer-vendor relationship. Relationship value accrues because both parties are engaged in a mutually beneficial, trusting relationship. Customers seek these kinds of relationships because they reduce complexity in an increasingly complex world. These relationships reduce stress but most of all they enable customers to engage in emotionally gratifying experiences. Trusting relationships enhance the present experience but are also valued for what they will do in the future. This is the basis for long term customer loyalty. This is the foundation of lifetime value.

Once again, which buying personality do your business practices court? Is it time for a change?

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