

2.1: The Customer

Learning Objectives

1. Explain the difference between a customer and a consumer.
2. Understand the relationship between the customer/consumer and the marketing mix.
3. Define the two types of customer markets.
4. Understand the factors that contribute to consumer behavior.
5. Describe the B2C and B2B buying processes.
6. Understand the differences between B2C and B2B buying behavior.
7. Define customer experience and explain its role in small business marketing.
8. Explain the importance of customer loyalty to small business.

It is very important in marketing to distinguish between the customer and the consumer. The **customer**, the person or the business that actually buys a product or a service, will determine whether a business succeeds or fails. It is that simple. It does not matter one iota if a business thinks its product or service is the greatest thing since sliced bread if no one wants to buy it. This is why customers play such a central role in marketing, with everything revolving around their needs, wants, and desires. We see the customer focus in the marketing concept, and we see it in the marketing mix.

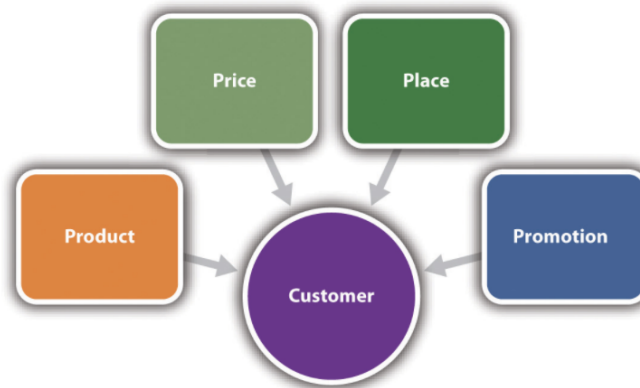


Figure 2.1.1: The Customer and the Marketing Mix

The marketing mix should follow the determination of customer needs, wants, and desires. However, there are instances in which a product is created before the target market is selected and before the rest of the marketing mix is designed. One well-known example is Ivory Soap. This product was created by accident. Air was allowed to work its way into the white soap mixture that was being cooked. The result was Ivory Soap, a new and extraordinarily successful product for Procter & Gamble. “History of Ivory Soap,” *Essortment.com*, accessed December 1, 2011, www.essortment.com/history-ivory-soap-21051.html. Most companies do not have this kind of luck, though, so a more deliberate approach to understanding the customer is critical to designing the right marketing mix.

The **consumer** is the person or the company that uses or consumes a product. For example, the customer of a dry cleaning service is the person who drops off clothes, picks them up, and pays for the service. The consumer is the person who wears the clothes. Another example is a food service that caters business events. The person who orders lunch on behalf of the company is the customer. The people who eat the lunch are the consumers. The person who selects the catering service could be either or both. It is common for the customer and the consumer to be the same person, but this should not be assumed for all instances. The challenge is deciding whether to market to the customer or the consumer—or perhaps both.

Customer Markets

There are two major types of customer markets: **business-to-business (B2B)** customers and **individual consumers or end users (business-to-consumer [B2C])**. B2B customers are organizations such as corporations; small businesses; government agencies; wholesalers; retailers; and nonprofit organizations, such as hospitals, universities, and museums. In terms of dollar volume, the B2B market is where the action is. More dollars and products change hands in sales to business buyers than to individual

consumers or end users. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 182. The B2B market offers many opportunities for the small business. Examples of B2B products include office supplies and furniture, machinery, ingredients for food preparation, telephone and cell phone service, and delivery services such as FedEx or UPS.

The B2C market consists of people who buy for themselves, their households, friends, coworkers, or other non-business-related purposes. Examples of B2C products include cars, houses, clothing, food, telephone and cell phone service, cable television service, and medical services. Opportunities in this market are plentiful for small businesses. A walk down Main Street and a visit to the Internet are testaments to this fact.

Understanding the Customer

The better a small business understands its customers, the better off it will be. It is not easy, and it takes time, but knowing who the customers are, where they come from, what they like and dislike, and what makes them tick will be of immeasurable value in designing a successful marketing mix. Being intuitive can and does work...but not for everyone and not all the time. A more systematic and thorough approach to understanding the customer makes much more sense. The problem is that many if not most small businesses probably do not take the time to do what it takes to understand their customers. This is an important part of the reason why so many small businesses fail.

Video Clip 2.1.1:

Consumer Behavior Matters



Understanding a customer's behavior will increase sales.

Consumer Behavior

Consumer behavior—"how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants" Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 182.—is the result of a complex interplay of factors, none of which a small business can control. These factors can be grouped into four categories: **personal factors**, **social factors**, **psychological or individual factors**, and **situational factors**. It is important that small-business owners and managers learn what these factors are.

- **Personal factors.** Age, gender, race, ethnicity, occupation, income, and **life-cycle stage** (where an individual is with respect to passage through the different phases of life, e.g., single, married without children, empty nester, and widow or widower). For example, a 14-year-old girl will have different purchasing habits compared to a 40-year-old married career woman.
- **Social factors.** Culture, subculture, social class, family, and **reference groups** (any and all groups that have a direct [face-to-face] or indirect influence on a person's attitudes and behavior, e.g., family, friends, neighbors, professional groups [including online groups such as LinkedIn], coworkers, and social media such as Facebook and Twitter). Adapted from Philip Kotler and

Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 155. For example, it is common for us to use the same brands of products that we grew up with, and friends (especially when we are younger) have a strong influence on what and where we buy. This reflects the powerful influence that family has on consumer behavior.

- **Psychological or individual factors.** Motivation, **perception** (how each person sees, hears, touches, and smells and then interprets the world around him or her), learning, attitudes, personality, and **self-concept** (how we see ourselves and how we would like others to see us). When shopping for a car, the “thud” sound of a door is perceived as high quality whereas a “tinny” sound is not.
- **Situational factors.** The reason for purchase, the time we have available to shop and buy, our mood (a person in a good mood will shop and buy differently compared to a person in a bad mood), and the **shopping environment** (e.g., loud or soft music, cluttered or neat merchandise displays, lighting quality, and friendly or rude help). A shopper might buy a higher quality box of candy as a gift for her best friend than she would buy for herself. A rude sales clerk might result in a shopper walking away without making a purchase.

These factors all work together to influence a five-stage buying-decision process (Table 2.1.1), the specific workings of which are unique to each individual. This is a generalized process. Not all consumers will go through each stage for every purchase, and some stages may take more time and effort than others depending on the type of purchase decision that is involved. Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 112. Knowing and understanding the consumer decision process provides a small business with better tools for designing and implementing its marketing mix.

Table 2.1.1: Five Stages of the Consumer Buying Process

Stage		Description	Example
1.	Problem recognition	Buyer recognizes a problem or need.	Joanne’s laptop just crashed, but she thinks it can be fixed. She needs it quickly.
2.	Information search	Buyer searches for extensive or limited information depending on the requirements of the situation. The sources may be personal (e.g., family or friends), commercial (e.g., advertising or websites), public (e.g., mass media or consumer rating organizations), or experiential (e.g., handling or examining the product).	Joanne is very knowledgeable about computers, but she cannot fix them. She needs to find out about the computer repair options in her area. She asks friends for recommendations, checks out the yellow pages, does a Google search, draws on her own experience, and asks her husband.
3.	Evaluation of alternatives	Buyer compares different brands, services, and retailers. There is no universal process that everyone uses.	Joanne knows that computer repair services are available at the nearby Circuit Place and Computer City stores. Unfortunately, she has had bad experiences at both. Her husband, David, recently took his laptop to a small computer repair shop in town that has been in business for less than a year. He was very pleased. Joanne checks out their website and is impressed by the very positive reviews. None of her friends could recommend anyone.

Stage		Description	Example
4.	Purchase decision	Buyer makes a choice.	Joanne decides to take her computer to the small repair shop in town.
5.	Postpurchase behavior	How the buyer feels about the purchase and what he or she does or does not do after the purchase.	Joanne's laptop was fixed quickly, and the cost was very reasonable. She feels very good about the experience, so she posts a glowing review on the company's website, recommends the shop to everyone she knows, and plans to go back should the need arise. Had she been unhappy with her experience, she would have posted a negative review on the company's website, told everyone she knows not to go there, and refuse to go there again. It is this latter scenario that should be every small business's nightmare.

Source: Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 168; Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 112–17.

Business Buying Behavior

Understanding how businesses make their purchasing decisions is critical to small businesses that market to the business sector. Purchases by a business are more complicated than purchases by someone making a personal purchase (B2C). B2B purchases vary according to dollar amount, the people involved in the decision process, and the amount of time needed to make the decision, Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 137. and they involve “a much more complex web of interactions between prospects and vendors in which the actual transaction represents only a small part of the entire purchase process.” Bill Furlong, “How the Internet Is Transforming B2B Marketing,” *BrandNewBusinesses.com*, accessed December 1, 2011, www.brandnewbusinesses.com/NewsletterAugust2008A1.aspx.

The individual or the group that makes the B2B buying decisions is referred to as the **buying center**. The buying center consists of “all those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decision.” Frederick E. Webster Jr. and Yoram Wind, *Organizational Buying Behavior* (Upper Saddle River, NJ: Prentice-Hall, 1972), 2, as cited in Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 188. The buying center in a small business could be as small as one person versus the twenty or more people in the buying center of a large corporation. Regardless of the size of the buying center, however, there are seven distinct roles: initiator, gatekeeper, user, purchaser or buyer, decider, approver, and influencer. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 188; Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 139. One person could play multiple roles, there could be multiple people in a single role, and the roles could change over time and across different purchase situations.

1. **Initiator.** The person who requests that something be purchased.
2. **Gatekeeper.** The person responsible for the flow of information to the buying center. This could be the secretary or the receptionist that screens calls and prevents salespeople from accessing users or deciders. By having control over information, the gatekeeper has a major impact on the purchasing process.
3. **User.** The person in a company who uses a product or takes advantage of a service.
4. **Purchaser or buyer.** The person who makes the actual purchase.

5. **Decider.** The person who decides on product requirements, suppliers, or both.
6. **Approver.** The person who authorizes the proposed actions of the decider or the buyer.
7. **Influencer.** The person who influences the buying decision but does not necessarily use the product or the service. The influencer may assist in the preparation of product or service specifications, provide vendor ideas, and suggest criteria for evaluating vendors.

Identification of Needs, Establishment of Specifications, Identification of Solutions, Identification of Vendors, Evaluation of Vendors, Vendor selection, Negotiation of Terms

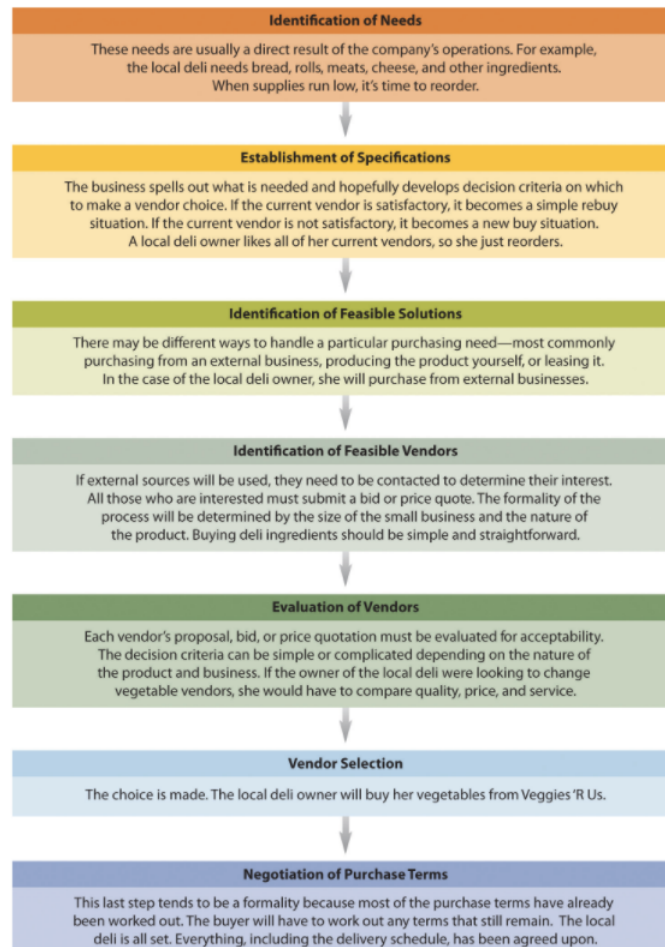


Figure 2.1.2: The B2B Buying Process Adapted from Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 148–55.

The B2B purchasing process for any small business will be some variation of the process described in 2.1.2. The specifics of the process will depend on the nature of product, the simplicity of the decision to be made, and the number of people involved. Clearly the purchasing process for a single-person business will be much simpler than for a multiproduct business of 400 employee

The Customer Experience

Customer experience is one of the great frontiers for innovation. Jeneanne Rae, "The Importance of Great Customer Experiences...And the Best Ways to Deliver Them," Bloomberg BusinessWeek, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan=search.

Jeneanne Rae

Customer experience refers to a customer's entire interaction with a company or an organization. The experience will range from positive to negative, and it begins when any potential customer has contact with any aspect of a business's persona—the company's

marketing, all representations of the total brand, and what others say about the experience of working with the business. Fran O'Neal, "'Customer Experience' for Small Business: When Does It Start?," *Small Business Growing*, August 23, 2010, accessed December 1, 2011, smallbusinessgrowing.com/2010/08/23/what-is-the-customer-experience-for-small-business.

Customer Experience in the B2C Market

Customers will experience multiple **touch points** (i.e., all the communication, human, and physical interactions that customers experience during their relationship life cycle with a small business). Eric Brown, "Engage Emotion and Shape the Customer Experience," *Small Business Answers*, December 14, 2010, accessed December 1, 2011, www.smallbusinessanswers.com/eric-brown/engage-emotion-and-shape-the-customer-ex.php, during their visit. In a retail situation, a customer will experience the store design and layout; the merchandise that is carried and how it is displayed; the colors, sounds, and scents in the store; the cleanliness of the store; the lighting; the music; the helpfulness of the staff; and the prices. In a business situation, a customer will experience the design and layout of the reception and office areas, the colors chosen for carpeting and furniture, the friendliness and helpfulness of the reception staff, and the demeanor of the person or people to be seen. The experience also occurs when a customer communicates with a company via telephone; e-mail; the company website; and Facebook, Twitter, or other social media.

The Role of Store Design in Customer Experience

Store design plays a very important role in a customer's experience. Check out the following three examples of small business store redesigns that have contributed to increased profitability:

1. Fine Wine & Good Spirits, Philadelphia

www.retailcustomerexperience.com/slideshow.php?ssn=273

2. The Diamond Cellar, Dublin, Ohio

www.retailcustomerexperience.com/slideshow.php?ssn=145

3. Roche Bros. Supermarkets

www.retailcustomerexperience.com/slideshow.php?ssn=261

Good customer experiences "*from the perspective of the customer...are useful (deliver value), usable (make it easy to find and engage with the value), and enjoyable (emotionally engaging so that people want to use them)*." Harley Manning, "Customer Experience Defined," *Forrester's Blogs*, November 23, 2010, accessed December 1, 2011, blogs.forrester.com/harley_manning/?page=1&10-11-23-customer_experience_defined. A customer experience can be a one-time occurrence with a particular company, but experiences are more likely to happen across many time frames. Harley Manning, "Customer Experience Defined," *Forrester's Blogs*, November 23, 2010, accessed December 1, 2011, blogs.forrester.com/harley_manning/?page=1&10-11-23-customer_experience_defined. The experience begins at the point of need awareness and ends at need extinction. Lynn Hunsaker, *Innovating Superior Customer Experience* (Sunnyvale, CA: ClearAction, 2009), e-book, accessed December 1, 2011, www.clearaction.biz/innovation.

Exploring Consumer Behavior Online and Offline

Consumers are willing to pay more for products they can touch. "Touching" is an important part of the customer experience.

What does all this mean in the real world? At the very least, it suggests that your local bookstore—where you can reach out and ruffle a paperback's pages—may have more staying power than e-commerce experts might think.

<https://web.archive.org/web/20100912...releases/13380>

B2C customer experiences also involve emotional connections. When small businesses make emotional connections with customers and prospects, there is a much greater chance to forge bonds that will lead to repeat and referral business. When a business does not make those emotional connections, a customer may go elsewhere or may work with the business for the moment—but never come back and not refer other customers or clients to the business. "Grow Customers and Referrals!" *Small Business Growing*, accessed December 1, 2011, smallbusinessgrowing.com/grow-customers-and-referrals.

Many businesses may not appreciate that 50 percent of a customer's experience is about how a customer feels. Emotions can drive or destroy value. Colin Shaw, "Engage Your Customers Emotionally to Create Advocates," *CustomerThink*, September 17, 2007,

accessed December 1, 2011, www.customerthink.com/article/engage_your_customers_emotionally. “Customers will gladly pay more for an experience that is not only functional but emotionally rewarding. Companies skilled at unlocking emotional issues and building products and services around them can widen their profit margins...Great customer experiences are full of surprising ‘wow’ moments.” Jeneanne Rae, “The Importance of Great Customer Experiences...And the Best Ways to Deliver Them,” *Bloomberg BusinessWeek*, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan=search.

Small businesses should learn and think about how to market a great B2C customer experience, not just a product or a service. Shaun Smith, “When Is a Store Not a Store—The Next Stage of the Retail Customer Experience,” *shaunsmith+co Ltd*, March 29, 2010, accessed December 1, 2011, www.smithcoconsultancy.com/2010/03/when-is-a-store-not-a-store-%E2%80%93-the-next-stage-of-the-retail-customer-experience. Design an experience that is emotionally engaging by mapping the customer’s journey. Colin Shaw, “Engage Your Customers Emotionally to Create Advocates,” *CustomerThink*, September 17, 2007, accessed December 1, 2011, www.customerthink.com/article/engage_your_customers_emotionally.—and then think of ways to please, perhaps even delight, the customer along that journey. A history of sustained positive customer experiences will increase the chances that a business will be chosen over its competition. Jeneanne Rae, “The Importance of Great Customer Experiences...And the Best Ways to Deliver Them,” *Bloomberg BusinessWeek*, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan=search.

Meaningful, memorable, fun, unusual and unexpected experiences influence the way customers perceive you in general and feel about you in particular. These little details are so easy to overlook, so tempting to brush off as unimportant. But add a number of seemingly minor details together, and you end up with something of far more value than you would without them.

It’s the little details that keep a customer coming back over and over, it’s the little details that cause a customer to rationalize paying more because she feels she is getting more, it’s the little details that keep people talking about you and recommending everyone they know to you.

Anyone can do the big things right; it’s the little things that differentiate one business from another and that influence customers to choose one over the other. Often, small-business owners cut out the little details when times get tough, and this is a big mistake. Sydney Barrows, “6 Ways to Create a Memorable Customer Experience,” *Entrepreneur*, May 19, 2010, accessed December 1, 2011, www.entrepreneur.com/article/206760.

There is, however, no one-size-fits-all design for customer experience in the B2C market. Small businesses vary in terms of the size, industry, and nature of the business, so customer experience planning and design will necessarily differ in accordance with these factors. The customer experience for a 1-person business will be very different from an experience with a 400-employee company.

Video Clip 2.1.2:

How to Hire the Right Customer Service Person For Your Small Business



Customer Experience in the B2B Market

Talk to customer experience executives in a B2B environment about emotional engagement and you will see their eyes roll. Ask them if they would consider designing retail stores with customized smell and music to reinforce the customer experience and you

will most likely be ushered out of their offices. Mention the iPod or MySpace experience and you will likely face a torrent of sighs and frowns. Lior Arussy, “Creating Customer Experience in B2B Relationships: Managing ‘Multiple Customers’ Is the Key,” *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107.

Lior Arussy

Creating customer relationships in the B2B environment is radically different from the B2C environment because customers face different challenges, resources, and suppliers. Lior Arussy, “Creating Customer Experience in B2B Relationships: Managing ‘Multiple Customers’ Is the Key,” *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107. In the B2B world, there will almost always be “multiple people across multiple functions who play major roles in evaluating, selecting, managing, paying for and using the products and services their company buys... So, unlike the B2C company, if you are a B2B supplier there will be a host of individual ‘customers’ in engineering, purchasing, quality, manufacturing, etc. with different needs and expectations whose individual experiences you must address to make any given sale.” Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about-the-b2b-customer-experience. This is offset, however, by the fact that a B2B company probably has a substantially smaller number of potential customers in a given target market, so it is often possible to actually get to know them personally. Smart B2B firms can tailor their products or services specifically to deliver the experiences wanted by people they know directly. Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about-the-b2b-customer-experience.

Video Clip 2.1.3:

How Customer Experience Applies in the B2B Sector



Customer experience concerns are relevant in the B2B environment.

Despite the challenges, customer experience is relevant in the B2B environment. However, because “the buy decision-making processes in most companies are typically fully structured and quantitative criteria-based... the explicitly emotional experience laden sales pitch that drives consumer buying is not a fit in the B2B world.” Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about-the-b2b-customer-experience. The products that often represent B2B business’s sole value proposition are rarely emotionally engaging or visually appealing. Think bolts, wires, copy paper, shredding machines, bread for a restaurant, and machinery. How engaging can these items be?

There are touch points in B2B processes. Adapted from Pawan Singh, “The 9 Drivers of B2B Customer Centricity,” *Destination CRM.com*, December 11, 2010, accessed December 1, 2011, www.destinationcrm.com/Articles/Web-Exclusives/Viewpoints/The-9-Drivers-of-B2B-Customer-Centricity-72672.aspx. before and after the sale (e.g., information gathering, website visits and

inquiries, delivery of spare parts, service calls on machinery and office equipment, and telephone interactions) that can be identified and improved. However, the inherent differences between B2B and B2C environments must be clearly understood so that the B2C customer experience models do not become the paradigm for B2B customer experience designs. As is the case in the B2C market, there is no universal approach to customer experience in the B2B market. Small B2B companies also vary in terms of the products and the services offered and the size, industry, and nature of the business, so customer experience planning and design will necessarily differ in accordance with these factors.

The greatest challenge in delighting B2B customers is adding unique and differentiating value that solves customer problems. When defining the customer experience, recognize that this value should extend to the entire customer and business life cycle—presale engagement, the sales process, and postsale interactions. Experiences at every stage of the customer life cycle should be customized to each individual customer. Lior Arussy, “Creating Customer Experience in B2B Relationships: Managing ‘Multiple Customers’ Is the Key,” *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107.

Video Link 2.1.4:

Customer Experience Differentiation

Customer experience in the B2C and B2B environments.



Customer Loyalty

Customer loyalty is “all about attracting the right customers, getting them to buy, buy often, buy in higher quantities and bring [the business] even more customers.” “What Is Customer Loyalty?,” *Customer Loyalty Institute*, accessed December 1, 2011, www.customerloyalty.org/what-is-customer-loyalty. It involves an emotional commitment to a brand or a business (“We love doing business with your company.”), an attitude component (“I feel better about this brand or this business.”), and a behavior component (“I’ll keep buying this brand or patronizing that business, regardless.”). Attitudes are important because repeat purchases alone do not always mean that a customer is emotionally invested. Adapted from “Why Measure—What Is Loyalty?,” *Mindshare Technologies*, accessed December 1, 2011, www.mshare.net/why/what-is-loyalty.html. Think about the thrill of buying car insurance. We may keep buying from the same company, but we rarely have an emotional commitment to that company. Emotional commitment is key in customer loyalty.

The benefits of loyal customers are numerous: Adapted from Rama Ramaswami, “Eight Reasons to Keep Your Customers Loyal,” *Multichannel Merchant*, January 12, 2005, accessed December 1, 2011, multichannelmerchant.com/opsandfulfillment/advisor/Brandi-custloyal/.

- They buy more and are often willing to pay more. This creates a steadier cash flow for a business.
- Loyal customers will refer other customers to a company, saving the marketing and advertising costs of acquiring customers.
- They are more forgiving when you make mistakes—even serious ones—especially if you have a system in place that empowers employees to correct errors on the spot. Then loyal customers become even more loyal.
- A loyal customer’s endorsement can outstrip the most extravagant marketing efforts. The word on the street is usually more powerful.
- Thriving companies with high customer loyalty usually have loyal employees who are genuinely engaged.

- Thriving companies with high customer and employee loyalty are generally known to outpace their competition in innovation.
- Loyal customers understand a company's processes and can offer suggestions for improvement.
- An increase in customer retention can boost a company's bottom-line profit by 25–100 percent, depending on **fixed costs**—costs that remain the same regardless of the amount of sales (e.g., rent).

Customer loyalty begins with the customer experience and is built over time through the collection of positive experiences. Jeffrey Gangemi, "Customer Loyalty: Dos and Don'ts," *BusinessWeek*, June 29, 2010, accessed December 1, 2011, www.BusinessWeek.com/smallbiz/tipsheet/06/29.htm. This will be true no matter the size, industry, and nature of the small business. Customers' experiences will influence how much they will buy, whether they switch to a competitor, and whether they will recommend the brand or the business to someone else. Bruce Temkin, "The Four Customer Experience Core Competencies," *Temkin Group*, June 2010, accessed December 1, 2011, experiencematters.files.wordpress.com/2010/06/1006_thefourcustomerexperiencecorecompetencies_v2.pdf. Small businesses cannot rely on the loyalty that comes from convenience (e.g., using the car dealer close to home for repairs instead of the one farther away that provides better service). Loyalty is about making a customer feel special. This is the dream of all small businesses—which is something that small businesses are particularly well suited to create. Because of their size, it is easier for small businesses to have closer relationships with their customers, create a more personal shopping environment, and, in general, create great customer experiences. Think back to Bob Brown of the Cheshire Package Store (Chapter 2). He prides himself on the kind of shopping environment and customer relationships that lead to loyalty.

Grounds for Loyalty

How do people make choices about which pharmacy to go to? Paul Gauvreau decided to find out by asking customers why they were shopping in one particular store.

- "I shop here because it's close to where I live." (The convenience shopper.)
- "I like the pharmacist, I trust him/her." (This customer has a good relationship with their pharmacist.)
- "The staff makes me feel like part of the family."
- "I feel like they care about my health."
- "The entire atmosphere in this store reminds me of home, where I felt welcome."
- "I don't feel like another number here or just another patient. They really care about me."

Paul concluded that this pharmacy succeeded in differentiating itself from the competition in a unique way: by how they made their customers feel—and this is what will generate the most intimate loyalty in a customer. Paul Gauvreau, "Making Customers Feel Special Brings Loyalty," *Pharmacy Post* 11, no. 10 (2003): 40.

Video Link Video Link 2.1.5:

Listening to Customers Leads to Loyalty

All customers really want is for the companies they do business with to listen to them.



Video Link 2.1.6:

Is There a Right Kind of Customer Loyalty?

Behavioral, emotional, and profitable customer loyalty. What they are, and what companies can do to create and improve them.



Small businesses that are operating in the B2B sector might wonder whether there are major differences between B2B and B2C models of customer loyalty. Michael Lowenstein, vice president and senior consultant in customer loyalty management at Harris Interactive says that “except for the specific supplier decision criteria, which varies from situation to situation, there is [sic] more similarities than differences between B2C and B2B in what drives customer loyalty behavior.” Michael Lowenstein, “Customer Loyalty Behavior in B2B vs. B2C Scenarios,” *SearchCRM*, January 31, 2007, accessed December 1, 2011, searchcrm.techtarget.com/answer/Customer-loyalty-behavior-in-B2B-vs-B2C-scenarios. What can be concluded in either case is that achieving and retaining loyal customers should be an important goal for any company—small or large.

KEY TAKEAWAYS

- The customer and the consumer are not necessarily the same person...but they can be.
- The customer and the consumer should be the focus of the marketing mix.
- B2C and B2B are the two types of customer markets. The B2B market dwarfs the B2C market in terms of sales.

- It is critical for a small business to understand its customers.
- Customer experience is a person's entire interaction with a small business. It involves emotional connections to the business.
- There is no one-size-fits-all customer experience for a B2C or a B2B small business. The customer's journey should be mapped and changes made to improve the experience.
- There are big differences between the customer experiences for B2C and B2B businesses.
- There are multiple benefits to customer loyalty. It is important to small business success. A positive customer experience drives loyalty.

EXERCISES

1. Visit a small business that you patronize often. Plan to make a purchase. Describe your experience from the time you enter the store to the time you leave (the touch points) as specifically as possible. What surprised you the most? Were you disappointed at all? Please explain. What recommendations would you make to the owner? Do you plan on going back to this store?
2. Identify a small business to which you are loyal. Why are you loyal to that business? What in particular does the business do that you like? Have you told them?

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