

Customer Loyalty in the Children's Services Industry

How to Keep Them, How to Wow Them

 Listen360

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How Can Customer Loyalty Grow Your Business?

In the highly competitive Children's Services industry, knowing how to keep your customers so happy they not only return but also tell their friends, family, and colleagues is crucial to maintaining loyalty, organic growth, and long-term success. To discover exactly what makes those customers happy (and unhappy) Listen360 analyzed 1,500 survey responses to learn which aspects of the customer experience truly drive loyalty in Children's Services.

Customer loyalty involves a commitment from the customer to make a sustained investment in an ongoing relationship with a business—one that is reflected in a combination of positive behaviors and attitudes about that business. An example of this type of behavior would be a positive recommendation given to potential customers. This type of endorsement by an existing customer has the potential to lead to additional business without costly sales and marketing investments. This is part of the reason why research has consistently shown customer loyalty to be a primary driver of business growth.

Interestingly, the data also shows that while having "satisfied" customers is necessary for a business; satisfaction alone does not translate into loyalty. And for customers who are even less pleased, the ramifications for your business are even greater. Unless customers are trapped by a lack of alternatives, their dissatisfaction will lead them to walk away from your business. *Extremely* dissatisfied customers will go even further, giving negative feedback or reviews to others and damaging the business's reputation in the process.

Given the importance of both customer sentiment and loyalty to Children's Services organizations, this study sought to find answers to two essential questions: (1) **What is dissatisfying Children's Services clients?** and (2) **What will grow customer loyalty?**

The Science Behind Loyalty

On behalf of its clients, Listen360 conducts online customer surveys, allowing client companies to listen to the "Voice of their Customers" in real time. The surveys ask customers to rate, on a scale from 0 to 10, how likely they are to recommend [the client's brand] to a friend or colleague. This ranking is followed by a question asking customers to explain the reason for their rating. This survey

model is the basis for the Net Promoter Score (NPS)[®] measure of customer loyalty popularized by Bain & Company and Fred Reichheld in their landmark book, *The Ultimate Question: Driving Good Profits and True Growth*.¹

Listen360 utilized semi-automated text analysis and advanced statistical analysis to code customer comments and relate them to their loyalty. These text comments were analyzed for positive and negative mentions and then were categorized as one of three factors: Barriers, Delighters, or Key Drivers.

1. **Barriers are a customer's minimal expectations.** These expectations can negatively impact customer satisfaction if they are performed poorly, but don't have any positive effect on customer loyalty if they are performed well. An example of this would be responsiveness of daycare instructors to each child's needs: this is a minimal expectation, which if not met, causes customer dissatisfaction. However, this responsiveness will not be reason enough for the child's parent to recommend you.
2. **Delighters are the "wow factors"** that are not typically expected by customers. They drive customer loyalty when performed well, but if they are absent or not performed well, there is no damage done. An example here would be a personalized approach taken by the aforementioned daycare instructor to ensure that the program is adaptable based on each student's needs. At the brand level, the delighters are your brand's differentiators that will make you stand out above the competition.

Key Drivers work both ways: when they are not performed well, customers will be dissatisfied, and when they are performed well, customer loyalty will increase. As an example, consider the amount of fun a child has in daycare. If they are having a miserable time, parents will likely be disappointed and might even consider taking their child to a different program. However, if the center can engage the child in fun activities, then those parents will be much more likely to stick to the program and share their positive experience with their friends who also have kids.

Minimal Expectations Of Your Customers

It is critical to know which elements of the customer experience are deal-breakers and ensure those elements are delivered at the expected level. Listen360's

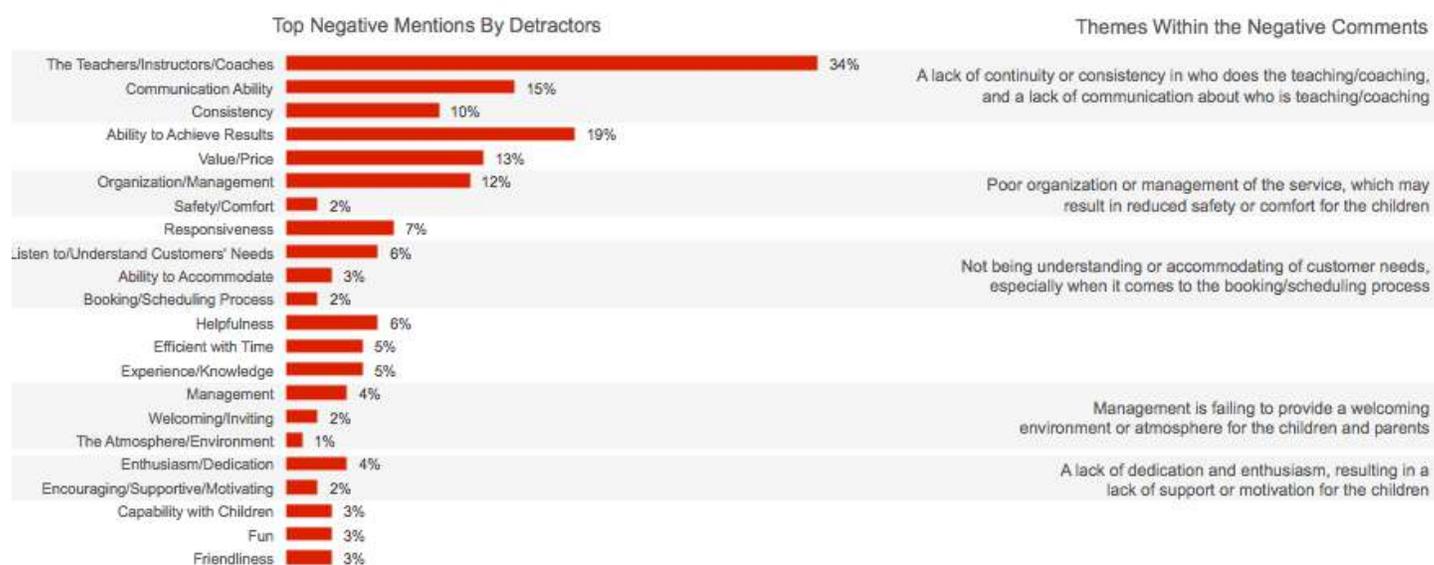
¹ Fred Reichheld, *The Ultimate Question: Driving Good Profits and True Growth*, Bain & Company, Harvard Business School Publishing Corporation, (original copyright) 2006.

analysis identified the top barriers for each Children’s Services industry segment (Figure 1).

Poor instructors or coaches, minimal communication ability, and lack of consistency are the most common barriers across the Children’s Services industry. While seamless communication between the teacher and the parent likely won’t be the driving reason a customer recommends your business, the failure to communicate with the parent will decrease loyalty and could lead to negative word of mouth in the community. These barriers are the minimum requirements for you to establish yourself and survive in the Children’s Services industry.

Figure 1. Barriers for Children’s Services

Dissatisfaction is mostly caused by lack of consistency and communication about or from the teachers, followed by lack of results.



Wowing Your Customers

In Listen360’s analysis of the Key Drivers and Delighters, two crucial key drivers that are the essence of the Children’s Services industry emerge as most common: ‘the instructors, coaches, and teachers’ and ‘the lessons, classes, and curriculum.’ High performance of these drivers and delighters has the power to lead to positive brand reputation amongst current and potential Children’s Services customers. However, poorly performing these key drivers could have a significant negative impact on the way a child’s parents view your services.

If you want to truly differentiate your service from the competition, go beyond the barriers and the key drivers and provide a service that delights. Of the top 20 attributes Listen360 identified, three of them are considered delighters, with the potential to have the highly sought after ‘wow factor.’ These attributes include:

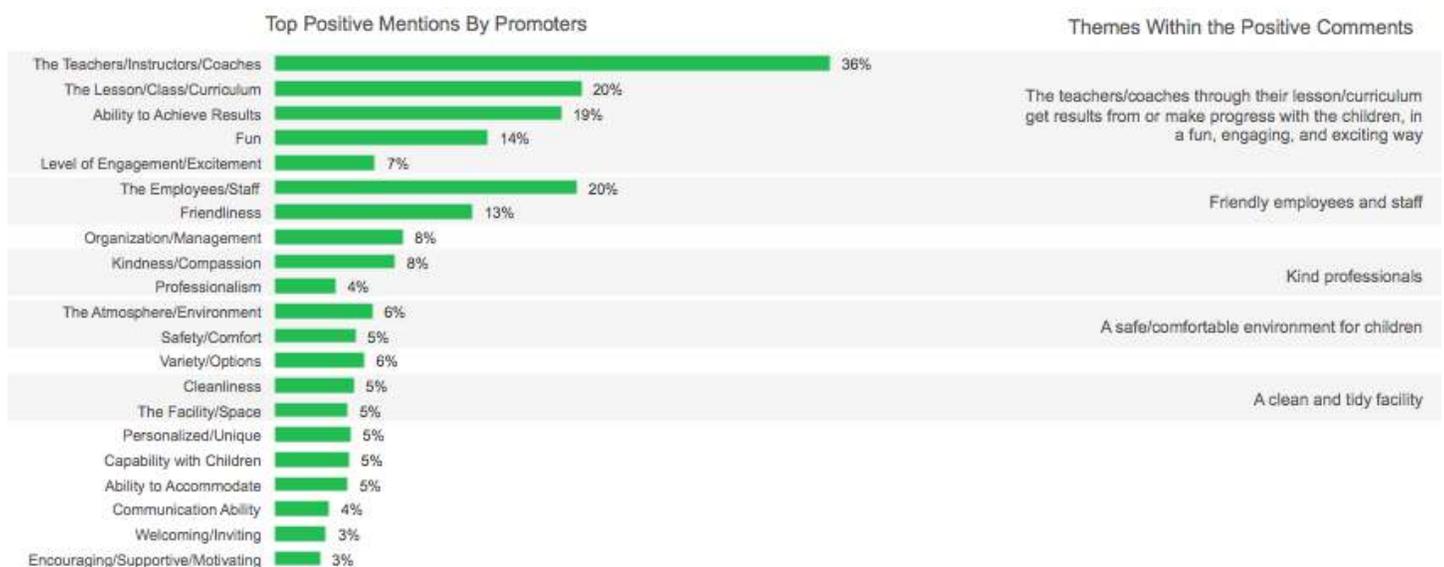
1. **The Curriculum:** A curriculum or program that is structured, stimulating, comprehensive, and effective.
2. **The Staff:** Staff and/or teachers that are friendly, patient, and nurturing. Additionally, parents prefer consistency; higher turnover tends to be a greater concern for parents.
3. **The facility/space:** A facility or space that is clean, safe, and conveniently located.

Putting these attributes at the forefront of your business model will help solidify loyalty amongst your customer base and build the foundation for brand advocacy.

While these ‘wow factors’ may not be baseline requirements to compete in today’s Children’s Services industry, over time there is a high likelihood that these attributes will be demoted to key drivers, where, for example, the expectation will be that the curriculum or program is structured, stimulating, comprehensive, and effective.

Figure 2. Key Drivers and Delighters for Children’s Services

Ensure employees are friendly, kind, and professional, and the location is safe and clean.



Your Next Steps

So what are your next steps? This analysis has provided some insight into what satisfies Children's Services customers, as well as what they need to be wowed. To effectively use this information, Listen360 recommends taking the following actions:

- Conduct survey research to measure how your business compares to the Children's Services industry as a whole. Look into what your customers are impressed by and what they feel you could improve on.
- Prioritize your improvement efforts to meet your business goals. In general, we recommend prioritizing the improvements in this order:
 1. Reduce dissatisfaction, and meet minimum expectations by improving **Barriers** that are underperforming.
 2. Increase customer satisfaction and loyalty by fixing and improving on the **Key Drivers**, starting with the worst performing.
 3. Wow your customers by adding or improving on your performance for **Delighters**.
- Track your performance over time to monitor the impact of your improvement efforts on customer loyalty and satisfaction.
- Stay current on what affects customer loyalty, as customer needs will inevitably change over time: Yesterday's delighter is frequently today's key driver and tomorrow's barrier.

If you know what your customers need, and you do those things well, your business is well positioned to reap the growth and profitability that comes from a loyal customer base. Your customers are one of your strongest assets—taking the time to listen and appropriately respond to them enables you to make smarter business decisions and build the kind of personal relationships that result in loyalty, organic growth, and sustainable profit.



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