

Turn Customers Into Advocates and Reap Prized Referrals



There is hard evidence that when people talk about their travel experiences, others listen intently. If your customers hear glowing reports about what you have to offer from friends, colleagues, or family members, they are very likely to want to do business with you as well.

BY JUDY MELANSON

Most hospitality marketers recognize the importance of advocacy—word of mouth referrals—in fueling demand for their travel and tourism products. Referrals are the highest-ranked source of information consumers use to select travel services, according to a 1998 report by the Travel Industry Association of America. Even academic studies have confirmed the important role of word of mouth. However, the same studies also conclude that marketers must invest more heavily in magazines, television, newspapers and travel agencies; that they're not doing enough in those areas to maximize promotion of their operations and thus gain significantly more business.

Say that again? A high percentage of sales come from word of mouth, yet according to these studies, travel marketers are not doing enough mass marketing? If referrals from satisfied customers represent the most successful avenue to attracting new clients, does it make sense for the marketers to send almost all their budgets in another direction, toward on mass marketing channels? This view is misguided when it encourages marketers to hurl hundreds upon thousands of dollars at conventional communications channels despite common knowledge and clear evidence that certain less conventional alternatives, i.e., word of mouth techniques, have been shown to be far more cost-effective and promise greater returns.

Could travel marketers then do a better job attracting new customers, and keeping "old" customers coming back, if more budgets were directed toward enhanced word-of-mouth programs? The research seems to conclude so, suggesting that a comparatively smaller investment in "customer advocacy" marketing can be expected to yield a higher return on investment dollars. Although it's certainly

true that word of mouth can't do it all by itself, this avenue is typically vastly overlooked for its power to do what it can.

In today's marketing environment, in fact, travel firms attempting to reach target consumers through traditional brand-building approaches, such as advertising and customer-loyalty programs, face higher hurdles than ever before. Advertising, increasingly cluttered, typically produces low levels of trust, and in many categories fails to provide true product differentiation. And with the array of media choices increasing continually—think cable, the Internet, elevator ads—advertising messages now reach smaller and smaller audiences. Though many customer-loyalty programs have proven highly effective for the frequent business traveler, the same cannot be said for most other seg-

ments of the travel industry. Few families, for example, return to the same resort over and over again or take the same cruise more than once.

An Advocacy-Focused Strategy

The challenge then presented by the dynamics in today's travel marketplace is to develop ways to strategically leverage the power of referrals on a grand scale, producing a demonstrable return on marketing investment. In an effective customer-referral strategy, for example, an experienced, satisfied guest informs friends and relatives not only about the great experience but also about nuts-and-bolts details about the travel firm's menu of services. This is accomplished by giving the satisfied guest some kind of "tool" to educate him/her properly. Such tools

Have You Identified Your "Value Drivers" ?

Understanding a firm's specific elements of value, i.e., their "Value Drivers," those benefits that directly motivate desired customer behaviors, is critically important to maximizing the return from a customer advocacy strategy. Ask yourself what value drivers motivate your customers to go out of their way to make enthusiastic referrals. What messages truly motivate those receiving the referral to take action?

Is it the comfort of your accommodations? Courtesy, friendliness and helpfulness of your staff? The beauty or tastefulness of the surroundings you provide? Such conditions are obviously the kinds of features you would want to reinforce in your mailings, which are so excellent they inspire and move your customers to exhort their friends, family and acquaintances to call you and give you their business.

Research for a company specializing in adventure tours, for example, might reveal that such value drivers as "excitement" and "exotic locales" were the primary motivators of customers' purchase behavior but that focusing on the value driver of "learning" most motivated the firm's existing customers to become advocates. So the company might begin focusing on the learning "benefit" to both foster advocacy and subtly "train" those advocates on how best to convey the other winning aspects of their services.

Identifying "hot buttons" ahead of time, rather than assuming you already know what they are, focuses your customer advocacy strategy directly on those areas that will yield the greatest return for your investment. In this way, you will maximize your opportunities for referrals, develop growing numbers of advocates and embrace customer advocacy as the powerful marketing option that hard evidence affirms it to be.

Travel industry leaders have always recognized the value of referrals in generating new business but until recently there haven't been any known systemic ways to boost referrals.

are designed to steer customer “advocates” toward relating their experiences not just with enthusiasm but with genuine knowledge as well.

This combination of facts-and-experience spurs customers to advocate not just once but again and again. We humans after all tend to trust our messengers. If even one friend, colleague, relative tells you she had a great time at a resort or on a cruise, you tend to believe her and will likely catch the fever for going out and experiencing this great getaway yourself! Consider how powerfully this “advertising message” might cut through the clutter and clamor of TV and radio commercials, Sunday circulars, junk mail, what have you.

Consider this success story: A cruise line had come to realize that, though customer advocacy played a pivotal role in its success as an industry leader, it nonetheless possessed no hard information on how critical it had been in terms of actual customer purchasing decisions or direct financial impact. Additionally, management decided (on a hunch) that the only ways to significantly increase advocacy were to either “bribe” customers by providing them with a monetary or credit incentives, or seek ways to make the cruise line’s satisfied customers even more thrilled in hopes they would then share their “delight” with others.

Upon further reflection, however, neither option appeared very attractive. The first one, incentives, held the potential to undermine the company’s premium brand position. Since the brand’s foundation is built on the promise of “reliability,” “integrity,” “leadership” and “product innovation,” it could be argued that bribing customers with an incentive would be at odds with the brand’s core value. Encouraging advocacy via a monetary incentive might send the wrong message.

The second, the “customer delight” strategy, held limited appeal as well. Under this approach, the company’s representatives would attempt to systemically exceed customers’ service expectations, a strategy that sounded good in theory but

in practice would surely increase costs per customer, perhaps to a level out of balance with potential returns. Then too was the risk that the many, now more, expensive “delighted customers” would still not bother to share their delightful experiences with others, despite added efforts on the part of the company.

So the company chose to investigate what other measurable, cost-effective methods it could employ to encourage customers to advocate its services. Its first step was to fully understand the value of an advocate. Based on previous industry research, they knew that:

- Receiving a recommendation from a customer advocate increased a prospect’s purchase probability by 18 percent.
- On average, each advocate made three unique recommendations annually.
- The average purchase of those who had been advocated to was \$650.
- As a result of the above, each advocate could be said to be worth approximately \$400 in additional annual revenue.
- Further analysis revealed that an increase in the advocacy rate company-wide by only five percent would produce \$240 million in new revenues.

With such data in hand, the company faced a challenge: Could it implement a strategy that systematically increased advocacy rates among its customer base? Also, how could it verify that such a strategic investment would be worth the effort?

To find out, a market research experiment was designed involving customers who had recently taken week long cruises. These purchasers were randomly assigned to a control or one of two test groups. Test Group A received a standard, off-the-shelf promotional-product type loyalty gift. Test Group B got a gift video designed to highlight and explain the uniqueness and value of the product. This inherent “customer education” subtly encouraged and “trained” the purchasers in Test Group B how to talk more knowledgeably about the product. Those in the control group received no post-purchase gift at all.

At the end of the three-month test period, research showed that the cruise company could expect dramatic differences in behavior among the three groups. The control group showed no change from previous customer testing and Test Group A, the one that got the off-the-shelf gift, acted no different from the control group. However, Test Group B exhibited a remarkable increase in advocacy, demonstrating to the company that it could in fact proactively increase advocacy rates to great advantage.

In terms of cost effectiveness, quantification of the purchase behavior reported an 11-to-1 return on investment, and more than \$2 million in additional advocate-driven sales emanating just from the small, second group, Test Group B. Needless to say, the company is now fully rolling out this new strategy.

Travel industry leaders have always recognized the value of referrals in generating new business but until recently there haven’t been any known systemic ways to boost referrals. By strategically providing customers with real tools that both encourage and train them to act as advocates, however, travel marketers can be assured they will quantifiably increase customer advocacy, and dramatically. Customers who feel confident speaking more knowledgeably (and thus eloquently) about a travel experience will be more inclined to do so. This means the prospective customer, the one being advocated to, will find his/her purchase decision has been made easier as well.

Upon learning about a given resort or cruise or hotel from a trusted source, including positive, informed features and benefits, the prospect moves more quickly along the customer-conversion cycle, becoming first a new customer and later an excited advocate. When offered the right tools, our new customer advocate becomes a knowledgeable advocate as well, passing on information as well as excitement to many others and generating referrals beneficial to all. ■