

Create Loyal Heating Oil Customers

The top 10 steps to create, build and maintain *loyal oil heat customers*.

According to a recent Conference Board study, customer loyalty is the number one issue on the minds of CEOs. Research shows that 37 percent of CEOs in North America, Europe and Asia identified customer retention and loyalty as the greatest management challenge facing their company.

While many pundits tout speed, competition for talented employees or reducing costs, the big issue, regardless of the industry, remains *loyalty*.

Even though oil heat executives have long realized the importance of customer loyalty, most companies still spend most of their budget to acquire new customers as opposed to spending to keep current customers. Even though oil heat execs have identified this issue, most have not altered their priorities or actions.

The history of loyal customers and the oil heat industry

The oil business is tough. It seems like every day the high price of crude listed in the papers sends shivers down people's spines and directly into their pocket books. Or the prices fall and customers wonder if they should look elsewhere for the best price.

What's worse, your customers are constantly reminded about price and it makes them pinch their pennies even harder.

So what are *you* doing to let your customer know you're worth every penny... or are you too just going to play the price game?

You know how that goes... squeeze your margins and end up working for peanuts... or worse. Meanwhile you could go broke by not buying properly or by underestimating your costs.

So what are your choices?

I'm sure you've already looked at all your expenses and trimmed them as best you can. That's a given. So what's left? The answer is: Your *top* line. You need to look at sales and, most importantly, your margins. Without good margins you're dead!

Look, I know it's not easy running an oil company these days, and it's certainly not as easy as it was a generation or so ago, but let's look at some numbers. Depending upon the discount you give, you have to sell twice the volume or more, just to generate that original profit. Discounts can suck you dry. Don't believe me? Just ask your accountant!

So the real question is: How do you market yourself to customers and prospects so that they know you're worth the extra money and will be willing (and even happy) to pay it?

If you're like most oil dealers out there, you don't have time to get a complicated marketing education. Instead, you resort to discounting your products and services. That turns into a vicious circle and before you know it the entire industry is perceived as a commodity and price rules the day.

Looking for ideas ... visit www.oilheatfollowup.com.

The best entrepreneurs know that every interaction with the customer either strengthens or weakens their bond with the company. After all, even a single negative impression can cause a customer to jump ship.

However, thanks to modern technology, you can easily build customer loyalty by reaching out to each customer in a way that makes their experiences pleasant and rewarding.

With the media hype and customer jitters concerning oil prices, investing in a branded customer experience has never made more sense.

Here's an example: I'm sure you've heard of Harley-Davidson. It has delivered 20 consecutive years of record earnings and revenues. In 2002, shareholders realized a five-year total return of 242%.

It is hard to believe that this company had a near-death experience in the early 80's and was close to losing its market to the Japanese manufacturers. The turnaround can be traced back to 1981, when a group of 13 Harley executives, led by Vaughn Beals, bought the company.

This proves that customer loyalty is no accident. The process of designing customer loyalty into your business is complex but can be made a lot more straightforward by following ten simple steps.

Loyalty by Design is a logical process for ensuring that your brand thrives in all market conditions and continues to mean something special for your target customers.

A good example of this would be the oil heat shopper versus the loyal oil heat customer, i.e. someone that is on automatic delivery with a service plan and a budget program. The challenge is to help those loyal customers spread the word. After all, isn't word of mouth the best form of advertising?

Loyalty Ladder



The bottom rung is the 'will call' customer.

This group is the least loyal of the bunch.
-Price is the major driver.

The next step up is your auto delivery customer.
-Convenience is the differentiator here.

Next up is the customer who adds you're budget plan to the mix.
-Cash flow and finances are a big part of this picture.

Ultimately the **top rung** of the ladder is a customer who is on automatic delivery with a budget plan and has a service plan too. You also have 2 sub-segments here:

1.) The customer who has a full plate, a good income and doesn't want to worry. They have the available dollars to spend and are looking to put their trust in a company to handle the oil deliveries and any issues that come up with their heating system.

-They are paying for peace of mind and are trading money for time.

For example, they want to call you and have the problem fixed quickly and with no hassle.

2.) The 2nd subgroup isn't motivated by time as much as money. They may or may not have the same disposable income that subgroup #1. What they're looking for is peace of mind as well. The difference is in their motivation. Time isn't the end result; this group is making an educated decision based on value.

They will spend the money if they think it's a good investment.

What I've described above is a typical market group segmented by customer type. No big surprise, right? By no means is this the only way to segment your list. There are a number of powerful ways to segment your list including but not limited to geographically, economically and demographically.

Loyalty makes economic sense

The economics are simple. **It costs, on average, six times more to acquire a new customer than it does to keep an existing customer.** This doesn't take into consideration the additional benefit of building a strong referral base. Moving your customers up the loyalty ladder is critical.

As compelling as these facts may be, they don't make retaining customers any easier. Capturing this largely untapped source of profit potential is demanding. A company has to go beyond what is typically considered "customer satisfaction" and create an indelible impression with their customers that causes them to become true supporters of the company, its products and services.

The best companies don't leave loyalty to chance, they design it in to every aspect of the organization so that it becomes completely integrated into their culture, performance, outlook and brand.

Here are the top 10 steps needed to design a customer-keeping organization.

1. Identify the target customer segments.

The first step is to be clear about who your most valuable customers are. For most companies, they are the loyal customers who spend more than the average on your company's products. For Harley-Davidson, it was the hard-core enthusiasts who had stayed with the company through the bad times of poor quality and indifferent after-sales service.

For you it's the full service auto-delivery people that have a solid investment in you. A stronger sub segment still is a customer that had a problem that you helped them resolve. They are more loyal and more willing to spread the word about your company.

The question is what are you doing to take advantage of the opportunity?

2. Find out what they value.

The next step is to determine what these customers really value and use this to create a differentiating brand promise. Ask the question, "How do we create more value for our customers so they willingly buy more of our products and services?"

Example: One oil company is so trusted; they have keys and alarm codes to a large portion of homes in their customer base. The least expensive home on that list is in the million-dollar range.

Are you that trusted?

3. Commit to a compelling customer promise.

What are you going to stand for and is it something the customer values? Or are you just another transparent oil company? If you are, can you blame your customers for looking around? After all, at that point you all look alike and the only thing that differentiates you is price.

If you're not giving your customers another reason besides price to stay with your oil company rather than go with the cheapest guy in town, you've got a problem.

There's a solution. Visit www.oilheatmarketing.com and get on their newsletter list right away.

4. Design and brand the customer experience.

The next step is to develop an insightful understanding of the experience along every step of the customer "touch point."

I know it sounds a little touchy-feely right? Well, that's the point. The next time you put on your consumer hat and buy a product, think about the things that go through your mind before you make a purchase.

All products are becoming commodities these days thanks to that mother-of-a-factory in China cranking out the same product for everyone. The only way to separate oneself in a crowded commodity market is service.

5. Map the current customer experience at every touch point.

What do customers expect? What do they experience? What would make the experience ideal? How do employees need to behave?

Before we continue, I want to ask you something: When was the last time someone who marketed to the oil heat industry offered a new product or offered an innovative way to grow your business?

I call it 'marketing incest' and you can read my take on it on my blog.

This is why you need to make a conscious effort to step away from the way things have always been with the focus on price and offer something of value to warrant a price differential between you and your competitor.

6. Identify the gaps between 'expected' and 'experienced'.

Here's an example: Call your company on the sly. Are you getting the standard expected responses over the phone or are you being wowed and enjoying the experience? Is it so good you'd tell your neighbor?

7. Design a new experience that is different and consistent with the customer's highest expectations.

Next time a caller asks for the price of oil, ask them what type of oil they're pricing out. Educate them about how your oil is different than other oil on the market. (Additives make this easy.) Act like a friendly neighbor sharing the inside scoop rather than a typical oil company that is just out to sell them.

8. Equip your people and deliver consistently.

A good contact manager or software system goes a long way to be able to access records and invoices in a manner that makes the conversation with customers and prospects seamless.

9. Prepare managers to lead the delivery of the customer experience.

Managers play a key role in helping their people understand the new direction and focus and how it must be delivered. They must equip employees with the knowledge, skills and tools needed to deliver the customer experience and they must walk the talk through their personal actions.

The fact is that your existing employees deal with your customers more than you do. I'll be willing to bet they are more like your customers than you are. When was the last time you sat down with a group of your employees and seriously asked them what they think about the business and the industry?

10. Use communications and training to build competence and commitment among employees.

Train and role play, but first understand what the goals are and why you're doing them.

Bonus Steps

- **Positive reinforcement doesn't always have to be cash.**

Align measurement and rewards systems with desired behavior.

There are other motivators that drive behavior and in some instances with more power.

- **Continually upgrade and reinvent the experience to stay ahead of competitors.**

The oil industry isn't a big "me first" kind of industry. In my opinion, it's more akin to "follow the leader." But one thing is for certain: Once your competitors see that good marketing is working for you, watch out... They may be slow adopters, but I assure you they will adapt. So the key for you is to keep your eye on the marketing horizon and constantly stay ahead of the curve.

The Secret

The secret is, and always will be, **marketing**.

Consider bottled water. Do the math. Why are some people paying up to \$29.00 a gallon and more for it in stores right now?

With the right marketing in place certain home heating oil companies can leverage similar marketing strategies to jump out of the commodity trap that haunts the industry.

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Don't know what a blog is? That's even more reason to visit.

Remember, it's all about profit.



Customer Referral Expert

P.S. Feel free to pass this report on to others in the industry.

Please remind them to sign up for my free oil heat marketing newsletter at www.OilHeatMarketing.com

I look forward to your comments and can be reached at john@OilHeatMarketing.com