



THE “WOW” FACTOR FOR CUSTOMER RETENTION & LOYALTY

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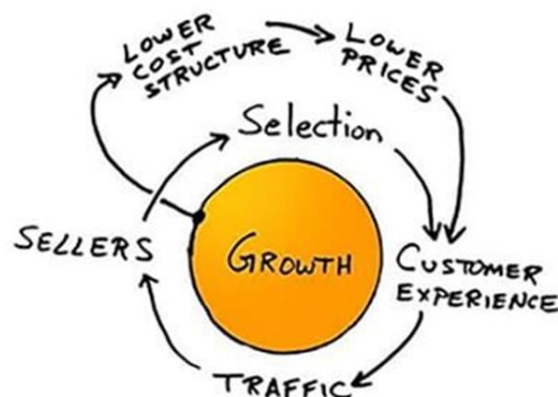
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ABSTRACT:

The WOW factor for retaining customer and having them loyal to your brand is due to the flywheel effect. This business concept was introduced by Jim Collins in his book “Good to Great” which states that companies do not become great due to a single initiative but due to accumulation of a number of small wins. This starts when customers start experiencing the positive effect with any brand which further increases the trust in that brand. This flywheel effect is due to various initiatives carried out by the respective organisations to improve their value chain.

KEYWORDS: Flywheel effect, Jim Collins, Good to Great, Jeff Bezos, Social Media Marketing, Flywheel momentum, Customer Value, Customer Perception, SEO, Strategic Objectives.

INTRODUCTION



Pic: The Amazon Flywheel based on Jeff Bezos description

Jim Collins who is famous for his originally coined and is a path breaking leadership theory called Level five leadership has coined the phrase "the flywheel effect" in marketing

management.

So what is the flywheel effect? When customers experiences goodness or plosive effect with a brand, they start trusting it more. The trust which gets built over time creates a relationship between the brand and its customers which is also called customer loyalty; over the time the customers start advocating the brand and the company. Today also word-of-mouth publicity is most trusted and valued and is healthy for brands.

Technically, a flywheel is an incredibly heavy wheel that takes huge effort to push. Keep pushing, and the flywheel builds momentum. Keep pushing, and eventually, it starts to help turn itself and generate its own momentum. A flywheel is also a self-reinforcing loop made up of a few key initiatives such as designing suitable content, personalized marketing messages, data driven marketing, updating the content from time to time, continuous marketing research, regularly to train sales staff, concentrate on maintaining quality, diligence in handling marketing channels and an efficient supply chain. These initiatives feeds in turn drive each other to build long-term momentum.

In marketing 'value' has a special meaning. When organizations work on improving their value-chain, they achieve a flywheel effect. Value is perceived by a customer. And it differs from customer to customer. Value in marketing is the difference between a prospective customer's evaluation of the benefits and costs of one product when compared with others. When the perceived value of a brand is higher it improves the sales, it increases profits, and helps the brand to grow. Therefore, a well-designed and well-executed loyalty programme can help an organization retain existing customers, attract new customers, reduce turnover and drive profits.

The 'Flywheel Effect' was introduced as a business concept by Jim Collins in his inspiring book 'Good To Great' and it was used to state the fact that companies don't become exceptional as a result of a single innovation or initiative, but rather from the accumulation of small wins that collect up over the years of hard work until a momentum takes over to influence acceleration of growth greatly. The underlying hypothesis of flywheel effect is that there are combinations of elements within a business which if properly aligned over a period of time will gain significant momentum and subsequently create a self-reinforcing virtuous cycle for the company.

HERE IS HOW FLYWHEEL EFFECT WORKS EXAMPLE OF AMAZON:

Customer experience is the key for the momentum that the flywheel gathers. Good experience of customers transform into customer loyalty. It also ensures a longer association of customer with the brand and a positive word of mouth among people. For example, Amazon's ecommerce business model includes pricing according to preferences and customer profile. It works on end-user delivery preferences, last mile (the journey of goods from the distribution centre to a customer's location) national, international and regional (including different tariffs for delivery, landed costs (Item Price + Shipping Costs/Freight Costs + Customs Duties + Risk + Overhead) delivery costs, and payment options. Giving good customer service is each Amazon employees' number one principle. And excellent customer experience drives traffic to Amazon.com. Sellers are attracted to put their products on Amazon.com which is the reason for larger variety for customers to

choose the best in any product category. This is also the main reason for the increased sales on Amazon.com. Over the years by improvising on processes and adding more products Amazon has achieved the flywheel effect which has set a continued momentum.

CASE OF UBER:

India's infrastructure is becoming more and more progressive in terms of saving energy and mobility development, which nicely sets the stage to advance current or existing practices. According to statistical data, an estimated 40% of its population will be living in urban areas by 2025, and they will account for over 60% of the consumption of resources. Moreover, transportation in India is highly fragmented, disorganised across modes with poor management, congestion and low public transport density. Riders and drivers have to undertake multiple challenges daily such as lack of availability, reliability, quality, consistent pricing, safety etc. Uber is one of the major players in cab services.

Uber is expanding in international markets, and as demand and supply both are growing, it has to invent pickup times which get fuddled. Shorter pickup times mean more reliability on drives and more cars. The more people that use Uber, the shorter the pick-up times get challenging in each region. As Uber grows in a city, its dependence on car and driver get more deepened making the range of supplier liquidity greater. The more people that use Uber, the greater the coverage. Its utilization increases. Basically, the drivers get motivated when they get paying rides per hour constantly because his vehicle gets utilized number of times in a day. This is simply a math reality – more demand and more supply make the working model more rational. Uber then uses the increased utilization to lower rates – which results in lower prices which once again leads to more users. The more people that use Uber, the lower the overall price will be for the consumer. Each marketplace is two sided, with riders and drivers, has its own network effects driven by pickup times, coverage density, and utilization.

For a positive flywheel effect organizations must understand that the customer experience is the core of the entire marketing process. Organizations must familiarize with the compliance regulations and standard operation procedures for each function. The communication with the marketing channel must be regular and supportive. Organizations must maintain healthy account standings and customer performance metrics.

Experimenting with new ideas and new innovations is a must, but the growth cycle must be steady. Organizations must regularly monitor their product portfolio and have performance matrix in place. Each product has a life cycle which needs measuring the stage of life cycle and rejuvenating the product.

Today, website and social media marketing plays the key role. Firms must apply search engine optimization (SEO) to its product detail pages. The design of website matters. The product description must be engaging answering any potential questions of customer.

For gathering flywheel momentum, continuous efforts are most necessary; it moves entirely on its own and is not an overnight process. Firm's strategic objectives must be checked from time to time and carefully examined. Each optimization improves the flywheel effect hence it remains the firm's responsibility to regularly find new avenues to keep the flywheel in motion.

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