

4. Putting a price on customer loyalty

Harvard Business Review: <https://www.youtube.com/watch?v=UgySE7ZiHe4&t=50s>

Date: 2012 / **Author:** Marco Bertini, [London Business School] / **Time:** 3:15

Introduction

i) The key point: Customers are not p _____ about how much things cost. It's not just about how much you charge, it's you're a _____ and they quickly abandon companies that don't play f _____.	
ii) What's the example?	
iii) What does fixed values create?	
iv) What should companies do?	

___ / 6

Five Principles

1) Focus on relationships

v) Cultivate loyalty by...	
vi) If pricing is merely transactional...	

___ / 2

2) Be productive

vii) What should you do?	
viii) Example of fees	

___ / 2

3) Be Flexible

ix) Rigid pricing	<i>Doesn't work because people view products differently</i>
x) Flexible pricing	

___ / 1

4) Be transparent

xi) What does this achieve?	
xii) The loyal customers cost l _____ to retain, buy more e _____ products and f _____ mistakes	

___ / 4

5) Understand Market Standards

xiii) Important	to understand <i>customers perceptions of fair pricing</i>
xiv) Fair pricing means...	
xv) Unfair pricing means	

___ / 2

Summary

xvi) Pricing is a t _____ that speaks l _____ to customers. What does your p _____ say about you?	
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___ / 3

Overall Score: ___ / 20

4. Putting a price on customer loyalty **ANSWERS**

Date: 2012 / **Author:** Marco Bertini, [London Business School] / **Time:** 3:15

Introduction

i) The key point:

Customers are not **passive** about how much things cost. It's not just about how much you charge, it's your **approach** and they quickly abandon companies that don't play **fairly**.

ii) What's the example?

Airlines who charge extra for legroom, check baggage, in-flight meals

iii) What does fixed values create?

It only antagonises (makes angry, offends, irritates) customers

iv) What should companies do?

They should humanise making money that benefits both (business & customer)

___ / 6

Five Principles

1) Focus on relationships

v) Cultivate loyalty by...

Seeing customers as people not wallets

vi) If pricing is merely transactional...

Customers will notice and take business elsewhere

___ / 2

2) Be productive

vii) What should you do?

Get to know your customers, their wants, their behaviours. Set prices that customers will engage in and will benefit them and your company.

viii) Example of fees

How do your customers react to a small reoccurring or a large onetime fee? Don't respond to competitors or complaints. Get to know their behaviours

___ / 2

3) Be Flexible

ix) Rigid pricing

Doesn't work because people view products differently

x) Flexible pricing

Helps your company meet changing consumer needs

___ / 1

4) Be transparent

xi) What does this achieve?

Trust and goodwill

xii) The loyal customers you gain cost **less** to retain, buy more **expensive** products and **forgive** mistakes

___ / 4

5) Understand Market Standards

xiii) Important

to understand *Customers perceptions of fair pricing*

xiv) Fair pricing means...

Customers will buy more and pay premiums

xv) Unfair pricing means

Customers will punish you

___ / 2

Summary

xvi) Pricing is a **tool** that speaks **loudly** to customers. What does your **pricing** say about you?

___ / 3

Overall Score: ___ / 20