



MONSTER LOYALTY

HOW TO BUILD

CUSTOMER LOYALTY
LIKE LADY GAGA

JACKIE HUBA

SHINY NEW OBJECT SYNDROME. IT'S HARD TO RESIST.

We, as businesspeople, often focus on the newest things, the latest and the greatest, and this can distort our business priorities. Many businesses are consumed with chasing new customers instead of focusing on the ones they already have. I see this all the time: companies give heavily discounted offers to new customers to get them in the door while longtime customers wonder why their loyalty isn't being rewarded with the same offers.

A 2011 study by Forrester Research and Heidrick & Struggles shows how chief marketing officers focus on the “new.” CMOs were asked to name their current top three marketing objectives. The No. 1 objective was “acquiring new customers,” with 59 percent of CMOs checking this box. What about current customers? Only 30 percent of CMO respondents said they are focused on retaining customers as a top priority. Just over a quarter of respondents, at 26 percent, said better customer lifetime value and customer satisfaction/advocacy were key objectives. (See figure below).

An index of the top priorities of chief marketing officers (CMOs).
Evidently, they're suffering from Shiny New Object Syndrome.



Base: 191 CMOs
(top three responses accepted)

Source: Forrester Research, Inc.

This focus on getting new customers versus keeping current customers is especially obvious in cable/satellite TV service—an industry focused on acquiring as many new customers as possible at the expense of existing ones. According to a Satmetrix 2012 Net Promoter Benchmark Study of U.S. consumers, of the 22 industries that Satmetrix examined, the cable/satellite TV service industry has one of the worst average scores in current customer satisfaction by far (8 percent), beat out in mediocrity only by health care (4 percent) and Internet services (4 percent), though Internet may be so low because it is often bundled with cable/satellite TV.

In the cable/satellite TV industry, existing customers gripe all the time about lack of customer service. One quick scroll of the Yelp page for Time Warner Cable in Austin, Texas, shows just how many customers are upset by how they're treated. Ceee D. says, "Holy sheeit. Look at all of these 1 star reviews. BELIEVE IT. Unfortunately, they are spot on. TWC is ok as long as you are a new customer & you never need to contact them for any reason. Otherwise, you are in for pure, unadulterated HELL."

According to research from TARP Worldwide, it is five times cheaper to keep a customer than to get a new one. So the CMO's No. 1 priority is all wrong and may very well be damaging relationships with existing customers—customers who, if you retained them, would help bring in new customers based on customer satisfaction and word of mouth.

Where other businesses don't seem to have their priorities straight, pop star Lady Gaga understands that focusing on current customers is the key to building long-term, sustainable audience loyalty. With 23 million albums sold, five Grammy awards and Forbes' distinction as one of the world's most powerful celebrities, Gaga is one of the most well-known pop artists in the world. While known as much for her voice as for her over-the-top wardrobe, few recognize Gaga for her stunning business acumen, which has earned her legions of loyal fans worldwide.

Lady Gaga didn't become the success she is today based solely on her talent. She did so by engendering immense loyalty from her fans—not just through her music, but through her message and the community she has built around it. Gaga's overarching philosophy focuses on her core advocates: the superfans called Little Monsters. These advocates become evangelists who bring in new customers on their own.

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I call these super-engaged customers the One Percenters. This core group of customers, in general, makes up about one percent of a business's customer base. (See figure below.)



Super-engaged customers often make up just one percent of the customer base.

This idea of the One Percenters is based on research conducted with my coauthor Ben McConnell for our 2007 book, *Citizen Marketers*. In the early days of online community and social media, we looked at online communities and tracked what percentage of members created content and was most engaged. We found it amounted to just one percent of the total community members. Another 10 percent of the community interacted with that content by commenting on it or rating it, and the other 89 percent were just lurkers.

The results were surprising because the number of super-engaged community members did not follow the usual 80/20 rule (aka the Pareto Principle), which states that 80 percent of value comes from 20 percent of participants. Our research showed that the volume of content creators was much smaller, at just one percent. One percent is a very small part of the community, and yet this disproportionate number was creating most of the value for the rest of the community.

You could call the One Percenters “customer evangelists.” In fact, this was the title of my first book—Creating Customer Evangelists—and I believe that many of the traits my coauthor and I discovered about these customers apply to the One Percenters. If you observe the following traits in your customer base, they just might be One Percenters:

They passionately recommend your company to friends, neighbors, and colleagues. New customers are made because a friend wouldn’t stop talking about a product or service, especially about how it changed her life.

They believe in the company and its people. Customers may actually profess their belief in your mission statement, especially if it is focused on changing the world.

They purchase your products and services as gifts. They want their friends to experience what they love.

They provide unsolicited praise or suggestions of improvement. They have moved beyond simple word of mouth into deep-rooted evangelism by offering you their time and knowledge. They have pressed themselves into volunteerism.

They forgive occasional subpar seasons or dips in customer service. Because they have invested some time in understanding your business, they know the score. They understand the challenges of running a business. They have built a relationship with you, and relationships are never perfect.

They do not want to be bought. Creating a paid-referral system for existing customers to recruit new ones is like paying a family member to show up for dinner. You can do it, but it changes the dynamic of the relationship. Paying customer evangelists turns volunteerism into labor.

They feel part of something bigger than themselves. They have connected with your brand or company at an intrinsic, emotional level. They want to meet other like-minded customers who believe in what they believe in.

Gaga, and her manager Troy Carter, understand that the secret to long-term success is focusing on the One Percenters, these die-hard evangelists. This is quite different from many artists in the music industry.

Think of Gaga's pop contemporaries: Nicki Minaj, Rihanna, Katy Perry. All very popular now, but will they be popular ten or twenty years from now? All sing catchy pop tunes. All wear crazy outfits that get people talking. But none of them seem to have much depth behind their personas. Don't get me wrong; they have rabid fans. However, they aren't doing anything to cater to their most loyal fans the way Gaga is. Gaga and Carter are willing to invest now in the customer base that they want years from now. Gaga explained to The Guardian in 2009, "I don't wanna be one song. I wanna be the next 25 years of pop music. But it's really hard to measure that kind of ambition. That kind of blonde ambition is looked at with a raised brow, because most artists don't have longevity today, especially in fun music that's about underwear and pornography and money."

Gaga's popularity was meteoric after her first No. 1 song, "Let's Dance." As her notoriety grew, so did the number of followers on Twitter and Facebook. As of this writing, Gaga is the most followed person on Twitter, with more than 35 million followers. On Facebook, she is among the top "liked" celebrities, with more than 56 million likes. But the super die-hard fans also hang out on the Gaga fan sites that have sprung up. The most popular sites are GagaDaily.com, GagaNews.com, and PropaGaga.com. The fan sites not only track Gaga's every move on their blogs but also provide forums where fans can talk with one another. This breeds a real sense of community among the fans who really "get" the eclectic performance artist.

In February 2012, Gaga and her manager created their own private place for the Little Monsters. Gaga herself dreamed up the idea after seeing an advance screening of *The Social Network*, a movie about the rise of Facebook. Not finding existing technology that could do what they wanted, Carter sought out the best Silicon Valley talent, Gaga invested her own money, and they created a firm called Backplane, which would build a niche social-network platform that could be used by other artists and even brands.

Gaga's social network is called Littlemonsters.com and looks like a cross between Pinterest and Reddit, with a scrolling wall of Gaga fan art and photos submitted by the Little Monsters. Fans can set up profiles, message each other and find links to concert dates. They even get their own Littlemonsters.com e-mail address, linking their online identity to Gaga. The pop star is on the site weekly, posting special messages to fans, liking and commenting on their fan art, and participating in chat discussions.

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Gaga and her management team strategically invested in an engagement vehicle for her One Percenters. Carter knows that Littlemonsters.com is a very lucrative asset for his client and has discussed the possibility of someday selling music and other things Gaga-related directly to the superfans. While other artists are still chasing followers on Twitter and Facebook, Carter is unperturbed. He admits that these social sites are good for the raw numbers, but he and Gaga are focused more on the One Percenters of Littlemonsters.com. He explains, “They’re highly motivated fans ... This one isn’t for the passive. It’s for the die-hard die-hard. We could go to Facebook for pure numbers. But give us 500,000 really engaged people, and the blast radius will be enormous.” First, Gaga recruits new superfans into the private network by posting photos, videos, or long letters to fans on Littlemonsters.com. Then, she posts links to Littlemonsters.com on Twitter and Facebook. Fans follow the links, and this is how they discover the community. To date, Gaga has over 760,000 fans on Littlemonsters.com.

Smart companies, focused on creating customer loyalty, are taking a page out of Gaga’s playbook. Premium bourbon maker Maker’s Mark created a special program for their One Percenters called the Maker’s Mark Ambassadors. Ambassadors receive an array of benefits from Maker’s branded business cards to invitations to Maker’s historic distillery in Loretto, Kentucky. Car manufacturer MINI holds a annual 3,877-mile trek from New York to Los Angeles, called MINI Takes the States, for MINI One Percenters to connect and share how they customized their own MINIs.

So where do you find your One Percenters? The key to finding your most engaged customers is by creating opportunities for them to participate. Help these passionate customers to self-identify and raise their hands. You may already have some engagement vehicles in place and not realize that this is where your One Percenters are trying to connect with you.

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Here are some places to find or cultivate your very own One Percenters:

Referrals: Tracking where inbound inquiries came from will help you identify people who are spreading the word about you. Make sure your sales people and online forms ask, “How did you hear about us?”

Customer service touchpoints: (1-800 number, Web forms, etc.) Research shows that for every one customer who complains to a company, there are 25 who don't. Those customers who take the time to contact a company do so for a reason. They may be frustrated but they

want to get their problem solved. They may be one fix away from being an evangelist. Treat these customers with empathy when solving their problems. Go above and beyond to delight them.

Incoming customer comments: Do you have customers who contact you to give unsolicited feedback on making your business better? These folks feel such a connection to you that they want you to be better. Keep track of these concerned customers for further engagement.

Frequent visitors to your stores: Can your store managers and employees identify regular shoppers who frequently chat up your employees?

Opt-in e-mails: How many people are on your company's opt-in e-mail marketing lists?

Third-party forums and blogs: Have you scanned the Web with listening tools, such as Radian6, to identify evangelists of your brand on third-party forums and blogs?

Company owned blog comment section: Do you have frequent commenters on your company's blogs?

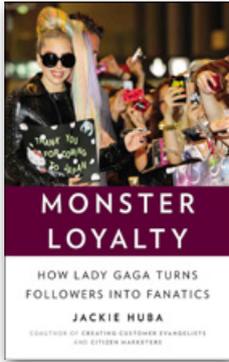
Web content creators: Do you have any people who have created content only about your brand? Are there any fan web sites, Tumblr sites, or Facebook pages for your brand? Are their customer-created YouTube videos about you?

Subscribers to your social channels: Of course, people who subscribe to hear from you on your corporate social tools, such as Twitter, Facebook, YouTube, blogs, etc., are candidates to be One Percenters.

So where have you been focusing your efforts: on ways of wooing new customers or tending to your most loyal few? Who are your One Percenters and are you giving them a chance to connect to each other and to you, building those loyal bonds?

So much more than a catchy verse, latex and lust, Lady Gaga can teach businesses how to lead with loyalty, success, and gratitude. 📺

Info



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ABOUT THE AUTHOR | Jackie is the coauthor of two previous books on customer loyalty, *Creating Customer Evangelists* and *Citizen Marketers*, and coauthors the award-winning Church of the Customer blog. With more than 105,000 daily readers, it's ranked as one of the most popular business blogs in the world. Her work has frequently been featured in the media, such as the *Wall Street Journal*, *The New York Times*, *BusinessWeek*, and *Advertising Age*. She is an 11-year veteran of IBM, a Penn State University graduate, and a Pittsburgh Steelers fanatic. She resides in Austin, Texas.

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