

The million dollar question: How loyal are your customers?

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Now more than ever, companies are asking themselves tough questions — like how loyal are their customers? And how likely are they to be interested in competitive products or services?

The answers to these two questions and how you address them can literally be worth millions.

The issue of customer loyalty is frequently discussed in the B2C arena, but not nearly enough in the B2B sector. However, when it comes to loyalty, the stakes are just as high in B2B — if not higher. In his book, *The Loyalty Effect*, Fred Reichheld writes that a 5% improvement in customer retention rates will yield a 25% to 100% increase in profits, across a wide range of industries.

The loyalty landscape

Two recent studies conducted by Movéo Integrated Branding targeted B2B audiences that included specifiers and purchasing managers. In total, the studies queried over 1,300 respondents from over 1,000 companies, in the U.S. and across Europe.

Both studies included the following questions:

- 1 How loyal are you to the brand(s) of products you currently use/purchase?
- 2 How interested are you in trying a new brand?

The findings included an interesting paradox: Between 36% and 51% of respondents indicated they were loyal to the brand(s) they currently used, yet between 37% and 56% indicated they would be interested in trying a new brand. On the positive side, this means a relatively large percentage of your prospective customers are likely to be receptive to your marketing and sales efforts. Unfortunately, it also means a relatively large percentage of your

existing customers are open to appeals from your competition.

Protection from “poaching”

So how can you increase the loyalty of your customer base, while decreasing the likelihood they will be “poached” by competitors? The most important step is to better gauge their loyalty — is it “hard” or “soft”? And while input from your sales team will be very valuable here, there is no substitute for the data that can be gathered via primary research.

Did you know?

Research conducted by the Harvard Business Review indicates that companies in the U.S. lose nearly 50% of their customers every five years. The study concludes that a 5% increase in customer retention can increase profits by as much as 100%.

Recent trends suggest that the costs associated with acquiring a new customer are five to six times what it takes to generate an equal amount of new business from an existing customer.

During a recession, investing in research may be seen by some as a luxury. However, it’s actually one of the best investments a company can make. A specifier’s/buyer’s mindset is most likely different today than it was even a few short months ago. While research insights can help you continue customer relationships, “customer satisfaction” can be a very nebulous concept. “Satisfied” does not mean they intend to keep buying — behavior is a better measure of this. Ask your customers whether they intend to buy from you again and why or why not. Ask them what you can improve. Ask them if they would refer you to a colleague (we’re strong

proponents of the Net Promoter Score™). Answers to these types of questions can help you create a “Loyalty Index” that you can compare to the rest of your industry. This, in turn, lets you modify your marketing strategy accordingly. How? If you discover, for example, that you have “soft” loyalty, you could focus your efforts on retention by:

- Crafting value propositions and key messages that resonate with your customers today
- Nurturing customer relationships through “VIP” extranets, user conferences, tailored newsletters, etc.
- Creating incentives for repeat purchase (i.e. loyalty programs, sales promotions, etc.)
- Deepening your relationships through cross/up-selling
- Developing ways to identify customers who are at risk of defecting (i.e. predictive analytics that look at anomalies in buying patterns)

One last word: To truly build a solid core of loyal customers, a company needs the involvement of more than just marketing and sales. It needs to be an effort that encompasses teams across the enterprise, including HR. It’s no coincidence that companies who have the most loyal customers, also have the best employees.

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Want help building a more loyal customer base for your company? Contact Bob Murphy at 630.570.4803 now or visit us online at moveo.com.