

## CUSTOMER EXPERIENCE PARTNERS

## Customer Loyalty - Not a Binary Issue



Customer loyalty – specifically how to measure it – has been frequently debated. Less discussion has focused on defining loyalty. It seems most of us think we understand the concept. Loyalty is about behavior; a customer who repeat-edly rebuys a brand is a **loyal customer**. Right?

### Loyalty is really much more complex

Catalina Marketing recently studied customer-level purchasing at 21,000 grocery, drug and mass merchant stores. Their observations are compelling and instructional. Isolating customers who would be considered “loyal customers” by conventional definition (i.e. those making 70% or more of their category purchases with a single brand) Catalina found that over a 12 month period:

- **20%** of these “loyal customers” **completely abandoned the brand**; and
- Another **26%** **decreased their share of requirements** purchased from the brand!

In other words it’s not just a matter of loyal/not loyal.

Catalina also found that 33% of shoppers who had been consistent repurchasers of a brand (“loyal customers”) abandoned that brand after just one purchase (a trial, if you will) of a competitive product! The study found that consumers defect from value brands just as often as premium ones. And, as a final blow to brands, when explaining their switching, study respondents observed they **“kind of forgot why they were buying a brand in the first place!”** This comment underscores the absolute need for all brands to build emotional bridges with their customers – providing support and a rationale for loyalty.

### We’ve been looking in all the “wrong places”

Some might be wary of Catalina’s inferences (they are, after all, an in-store promotions company). We’d tend to be more wary of the marketing community’s naïve views of customer loyalty. Rather than pitting attitudinal predictors like “satisfaction” against “willingness to recommend”(NPS), what we should have been doing is **1.)** learning what changes share of category purchases (**share of wallet**), and **2.)** accumulating and analyzing actual (not intended) word of mouth (**voice of the customer**).

We at **Customer Experience Partners** were among the first to start measuring *share of category spend* allocated to a particular brand and to explore the dynamics of this important criterion. Understanding what drives changes in share of wallet is truly critical to managing a brand and the brand experience.

### \$29.4 million lost – In just one category

Lost customer loyalty is expensive - in one Catalina example with 46% of customers diminishing their share of spending - one brand suffered a loss of \$29.4 million! To expand your use of share of wallet measures or to better understand the emotional connection customers have with your brand, contact us:

[vavra@customerexperiencepartners.com](mailto:vavra@customerexperiencepartners.com) or [pruden@customerexperiencepartners.com](mailto:pruden@customerexperiencepartners.com).

CUSTOMER  
EXPERIENCE  
PARTNERS,  
LLC

DOUG PRUDEN—TERRY VAVRA

[www.customerexperiencepartners.com](http://www.customerexperiencepartners.com)

P.O. Box 574  
Allendale, NJ 07401  
Phone: 203-655-0090

Unsubscribe: [unsubscribe@customerexperiencepartners.com](mailto:unsubscribe@customerexperiencepartners.com)

Copyright 2011