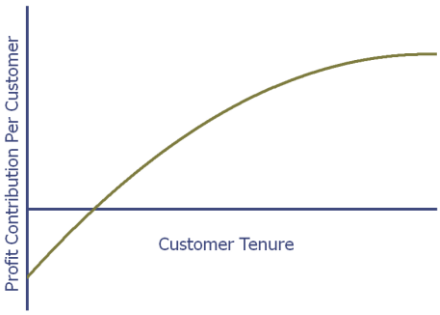
kinēsis
inform motivate
call to action

Introduction



Customer loyalty is a perennially popular subject of business books, white papers, and blog posts - and rightly so. Loyalty is the single business attribute with the strongest correlation to profitability. Loyalty produces extraordinary financial results by lowering sales and acquisition costs per customer - spreading these costs across a longer customer tenure. Depending on the industry, a five-percent increase in customer loyalty can translate into a 25% to 85% increase in profits.

Not surprisingly, many customer experience managers want to include a measure of loyalty in their customer experience research. Most customer experience research takes the form of survey research. The problem for customer experience managers is surveys best measure customer attitudes, while loyalty is a behavior…or actually an array of behaviors. Behaviors can only be measured empirically, and are best measured longitudinally over a period of time, which cannot be accurately measured with a survey.

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So…what is a researcher to do?

The answer is to find attitudinal proxies for customer loyalty.

In our experience, there are two customer attitudes that correlate strongly with the array of customer behaviors we would describe as loyalty. These two proxies are a customer's likelihood of referral, and the extent to which a customer feels the brand is an advocate caring about them – not just the bottom line.

Likelihood of referral is measured through a "would recommend" question. A "would recommend" question captures the customer's likelihood of referring to a friend, relative or colleague to the brand. It stands to reason, if one is going to refer others to a brand, they will remain loyal as well. Promoters' willingness to put their reputational risk on the line is founded on a feeling of loyalty and trust. Therefore, a stronger likelihood of referral is a proxy measure of customer loyalty.

Most researchers use the NPS (Net Promoter Score) as a "would recommend" measure. In our experience, NPS, while ubiquitous, is not a panacea as many of its proponents contend. In fact, a number of measures of likelihood of referral will work just fine.

The extent to which a customer feels the brand is an advocate for them is measured through a customer advocacy question. A customer advocacy question asks if the customer agrees with the following statement, "the brand cares about me, not just the bottom line" (obviously we would insert the company name here for the brand). The concept of trust is perhaps more evident in customer advocacy. Customers who agree with this statement trust the brand to do right by them, and not subjugate their best interests to profits. Customers who trust the brand to do the right thing are more likely to remain loyal.

Insight Beyond Loyalty

Unfortunately, it's not uncommon for loyalty surveys (particular those employing the NPS methodology due to the way it was introduced as the "one number you need to know") to only ask the loyalty proxy with little or no other areas of investigation. This is a poor practice from both a customer experience, and ultimately, from an actionable research standpoint.

Customers who choose to participate by clicking on the survey have done so because they want to give you their opinion. They want to participate in the survey, and most likely based on past experience are expecting a multiple question survey. Giving them only one rating scale risks alienating them as they may feel they didn't get an appropriate opportunity to share what's on their mind.

Secondly, a survey asking one question about the customer's likelihood of referring the brand to others can come off as very self-serving in the eyes of some customers. They don't know the purpose of this question. They don't know it is a loyalty proxy intended to help the brand serve them. Lacking this context, they may see this as a self-serving request for referrals and not something that is in their best interest.

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From an actionable research design standpoint, a survey instrument consisting of one NPS rating will not yield any insight into how customers feel about the brand. Such research will produce a mean rating and frequency of promoters and detractors, but will lack any context with which to interpret it. As is often the case in customer experience research, context is key. This research lacks context in which to interpret the results. We

simply won't know if the NPS score is good, bad or even how to improve upon it.

While establishing and measuring loyalty proxies, additional areas of investigation should include indentifying and comparing customer impressions of the brand to your desired brand personality, and an evaluation of customer engagement or wallet share.

Brand perception research should produce insight beyond loyalty.

Establishing and measuring loyalty proxies is important, but this should not be the end of your brand perception research. Brand perception research should produce insight beyond loyalty. This research should identify the extent to which impressions of the brand are aligned with the desired brand image. Additionally, impressions of the brand among the most loyal and engaged customers should be compared to those who are deemed less loyal or engaged. This identifies opportunities for intervention to save customers at risk of defection, and increase engagement of those not fully engaged.

Brand Definition

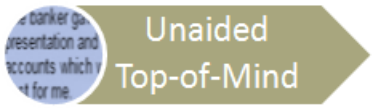
When measuring brand perception, start by defining the desired brand. Ask yourself: if our brand were a person, what personality characteristics would we want our customers to use when describing us? What adjectives would we want used to describe our brand?

In addition to defining your brand personality with adjectives, put together a list of statements that you want to describe your brand. For example, you may include statements such as:

- It is easy to do business with us.
- We are knowledgeable.
- Our customers feel we are a trusted friend.
- We care about customers as people, not just the bottom line.
- We are committed to the community.

The importance of defining the brand personality in terms of adjectives and statements will come into play as we write the survey instrument. Both of these features will play a central role in questionnaire construction.

The Survey Instrument



First, the survey instrument should capture unaided top-of-mind perceptions of the brand. This is the first thing that comes to mind about the brand. This is captured first to avoid introducing bias into the research, avoiding the risk of customers being biased based on previous questions as well as their responses to those questions.

Unaided top-of-mind impressions can be captured in many ways. Kinēsis prefers a simple approach, where we ask the customer for a one-word description of the brand. This will produce a list of adjectives which can be quantified by their frequency to determine the extent to which customers top-of-mind impressions match the desired brand image.

Once we have defined top-of-mind impressions of the brand, Kinēsis prefers comparing brand perception to your desired brand identity. We present customers with the list of brand personality adjectives and ask them which of these adjectives they use to describe the brand. This is aided impressions, not top of mind.

Additionally, ask your customers to what extent they agree with each of the brand personality statements (the statements listed above) as part of your brand definition. As with the list of adjectives, this holds a mirror up to the desired image and measures the extent to which customers agree that the brand is perceived in the manner consistent with the desired personality.

Identify Attributes with the Most ROI Potential

These brand perception statements are valuable. Their value goes beyond evaluating if the brand's perceived image matches the desired image. In conjunction with the "would recommend" and "customer advocacy" loyalty proxies, they provide road maps to identify which brand personality attributes will yield the most return on investment in terms of improving customer loyalty. This valuable insight is achieved with a cross-tabulation of agreement with these statements by each customer loyalty segment. As an example, comparing agreement with these statement from customers identified as promoters to customers identified as detractors reveals the attributes with the largest gap between these two segments. Those with the largest gaps have the most return on investment potential in terms of improving customer loyalty.

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A similar process of cross-tabulation with the customer engagement proxies will identify those attributes which will yield the most return on investment in terms of driving customer engagement.

Comparison to Competitors

How your actual brand image compares to your goal image is the first part of the effort. But the value of this research doesn't need to stop there. The next step is to maximize the value of the research by making comparisons to your competitors.

There are many ways to get a comparison to competitors. Perhaps the simplest way to make meaningful comparisons to competitors is to present customers with a series of statements and ask them to compare your brand to your competitors across these statements. The content of these statements should explore the 4-P's of marketing (product, promotion, place and price).

The statements you present to customers should be customized around your industry and business objectives, but they may look something like the following:

- Their products and services are competitive
- They are more customer-centric
- They have lower fees
- They have better service
- They offer better technology
- They are more nimble and flexible
- They are more innovative

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These comparisons, like the brand perception statements, can be used to identify the service attributes which have the most potential to generate return on investment in terms of driving loyalty by cross tabulating the results by whatever loyalty proxy you use. If, for example, significant differences exist for "better technology" among promoters compared to detractors then we can conclude investments in technology may yield a return in terms of driving customer loyalty.

Primary Provider

The final area of inquiry in brand research is to determine if the customer considers you or another brand their primary provider. This is easily achieved by presenting the customer with a list of providers, including yourself, and asking them which of these they consider their primary provider.

Now, taking the industry comparisons we captured in the previous section, we can tie these comparisons to the customer selection of a primary provider. This is best accomplished by using the same list of competitor comparison statements above, and asking which of these statements are the reasons they consider their selection to be the primary provider.

Similar to the brand perception statements discussed earlier, by cross-tabulating responses to these statements to the loyalty segments, these competitor comparison statements can be used to determine which of these service attributes have the most potential for return on investment in terms of driving loyalty.

Conclusion

Loyalty is the holy grail of business. It is the single business attribute with the strongest correlation to profitability. Loyalty, however, is an array of behaviors which can only be measured empirically over time, and cannot be measured accurately in a survey. Behaviors can only be measured empirically, and are best measured longitudinally over a period of time, which cannot be accurately measured with a survey. Customer experience managers must, therefore, use loyalty proxies (such as a "would recommend" or "customer advocacy" question) in their customer surveys to measure loyalty.

Establishing and measuring loyalty proxies is important, but it is not the end of perception research. This research should identify the extent to which impressions of the brand are aligned with the desired brand image, using aided and unaided measures of top of mind impressions, coupled with comparisons to competitors, and wallet share - all tied together with analytical techniques to identify the brand attributes with the highest potential or return on investment in terms of driving loyalty and engagement.

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