



**BLOG
BOOK**



THE LOYALTY MATRIX

A COLLECTION OF BLOGS FOCUSED ON MAKING LOYALTY ACTIONABLE

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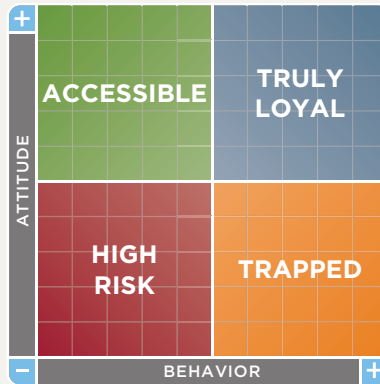


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THE LOYALTY MATRIX - A COLLECTION OF BLOGS



Walker’s Loyalty Matrix is a framework for measuring loyalty and assessing the stability of an organization’s customer base. This versatile approach provides businesses with a practical means to leverage the voice of the customer for improved business performance.

This Blog Book focuses on four distinct types of customers and provides insights on making loyalty more actionable.

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MAKING LOYALTY ACTIONABLE

Taking action is widely mentioned as the top challenge in a customer listening initiative or voice-of-the-customer strategy. One method to making customer loyalty more actionable is to begin with a good framework.

The Loyalty Matrix is a very practical framework that segments customers into four groups based on their responses to a small battery of questions. The two axes in the matrix represent the two key aspects of loyalty - behavior (what a customer plans to do) and attitude (how they feel about working with your company). This forms the following four quadrants:

TRULY LOYAL - These customers have every intention of continuing to do business with you and they have a positive attitude towards your company. They like working with you and are more likely to increase their spending and recommend your company to others.

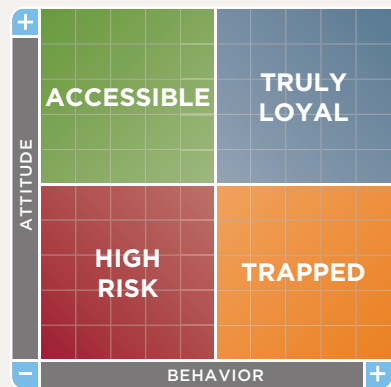
ACCESSIBLE - These customers have a good attitude about working with you but do not plan to continue their relationship. Since this is a rather odd combination, it's not surprising that it is often a very small percentage of customers. It typically means something has changed in their business and they do not need your product or services any longer.

TRAPPED - These customers show every indication of continuing business with you, but they're not very happy about it. They feel trapped in the relationship. This is common among organizations that are locked into a long-term contract, lack a suitable substitute, or find it too hard to switch. Eventually, trapped customers will find a better option.

HIGH RISK - As the name implies, these customers do not intend to return and don't really like working with you anyway. Typically, they're halfway out the door and not only will they no longer be a customer, but will also talk poorly about your company in the marketplace.

Many organizations use this framework and find it to be more versatile, more practical, and much more actionable than satisfaction scores, NPS, or other approaches. Here is a link to a short paper on the Loyalty Matrix if you would like to learn more.

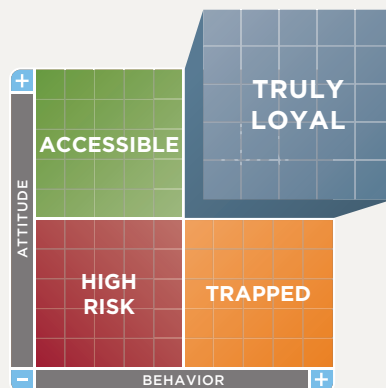
<http://www.walkerinfo.com/knowledge-center/white-papers/the-walker-loyalty-matrix.asp>



LEVERAGING LOYAL CUSTOMERS

You have lots of loyal customers. But, what do you do to make the most of these relationships?

First, let's describe what we really mean when we talk about loyal customers. As described in the framework of the Loyalty Matrix, truly loyal customers are those that are positive in both their attitude and behavior. In other words, they have every intention of continuing to do business with you and they have a positive attitude toward your company. They like working with you and are more likely to increase their spending and recommend your company to others.



Then what strategies and tactics should be deployed to leverage loyal customer relationships? Here are four key initiatives that every company can incorporate into their customer strategies:

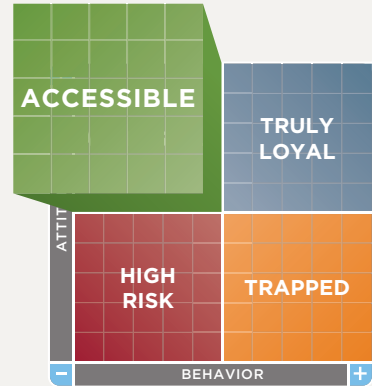
- 1. Support new sales** – in most businesses referrals are a key component in closing new deals. Because loyal customers have a positive attitude about their work with you, they are an excellent source of referrals and testimonials.
- 2. Earn more business** – loyal customers typically are planning to increase their spending. This is a chance to up-sell and cross-sell to generate new sales.
- 3. Team up to innovate** – loyal customers are often the best partners. They will be more open and interested in collaborating to consider and test new solutions.
- 4. Network with other customers** – ideally, you want their loyalty to be contagious. Encouraging networking between loyal customers and trapped customers can help convert these trapped customers and earn more loyalty.

Too often, when a company looks at the breakdown of their customers in the Loyalty Matrix framework they focus on the negative – how to improve relationships high risk and trapped customers. Unfortunately, the positive aspect can be overlooked – how to leverage relationships with their most loyal customers. And yet, this may be the quickest way to generate new revenue for the company!

ACCESSIBLE CUSTOMERS - ARE THEY WORTH THE EFFORT?

Are Accessible customers worth the effort? After all, they are an odd mix — they like you, but don't plan to keep giving you their business. There are a couple ways these customer relationships can be valuable and shouldn't be shunned too quickly.

In the context of the Loyalty Matrix accessible customers have a positive attitude (how they feel about working with your company), but show negative behavior (what they actually plan to do). When you think about, it is a little strange. Why would a customer have a good attitude, but not plan to keep coming back?



It usually means something has changed and they no longer need your product or service. For instance, let's say you have a favorite coffee shop. You like the people, the atmosphere, and the products. But then you move a few miles away. Even though you like going there, it is simply too far out of your way and there are other good options that are much more convenient.

Here are two reasons to continue to cultivate accessible customers.

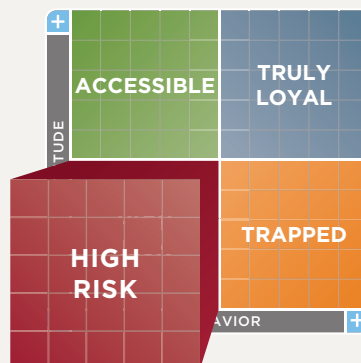
- First, accessible customers will recommend you. Who knows how their positive comments will help you secure new customers in the future?
- Second, you may have other solutions to offer to them. Particularly in a business-to-business situations it's smart to check in with these customers to make sure they are familiar with your entire range of solutions. They may discover another reason to work with you or may direct you to another contact and provide a personal endorsement.

Accessible customers are typically a small percentage of a company's overall customer base, but they can still be important in helping you grow your business.

TAKING ACTION ON HIGH RISK CUSTOMERS

“I’m not coming back and I don’t really like you anyway!” In the framework of the Loyalty Matrix, that is essentially what a “high risk” customer is saying.

Based on their feedback to a short battery of questions, high risk customers are negative on the two key aspects of loyalty – behavior (what a customer plans to do) and attitude (how they feel about working with your company). So, how do you handle high risk customers? While the first reaction may be to scramble to salvage every relationship, that may not always be the best direction. Below are three very different scenarios with suggested action:



SCENARIO 1 - THE B-TO-C COMPANY

In this scenario, you won’t likely know at an individual level which customers are high risk. Instead, you’ll know what percentage of your customers are high risk and you need to dig deeper to understand why. You may need to filter the information to find out if high risk customers are concentrated in a particular region or if they are users of a particular product. Essentially, you have to get to the root of the issues and take action to decrease your overall rate of customer churn.

SCENARIO 2 - INDIVIDUAL CUSTOMER CONTACTS

In most B-to-B situations and some B-to-C situations you will be able to identify specific high risk customers and contacts. In this situation you should layer on more information. For instance, if you know how much revenue the customer generates or you know the customer’s level of profitability you can prioritize which customers deserve immediate action to salvage the relationship and which customers may actually be better off with one of your competitors.

SCENARIO 3 - COMPLEX STRATEGIC ACCOUNTS

Lets say you have a single account with 25 contacts – 10 are loyal, 10 are trapped, and five are high risk. Now things are a little more complicated. In this scenario you must look more closely. If the five high risk contacts aren’t that involved or just influence purchasing decisions, the situation may not be dire. However, if a senior executive or your primary contact happen to be high risk, immediate follow up is necessary. A closer look will provide the direction.

High risk customers should prompt action. What action to take will depend on the steps you follow to better understand each scenario.

THE TRAPPED CUSTOMER

Last week I shared the Loyalty Matrix - a framework that segments customers into four categories based on their attitude and behavior.

When we discuss this framework, people are typically very intrigued with the “trapped” category. It seems to be an element often missed in customer satisfaction ratings, Net Promoter Scores, and other measurements. The trapped customer is indeed unique.

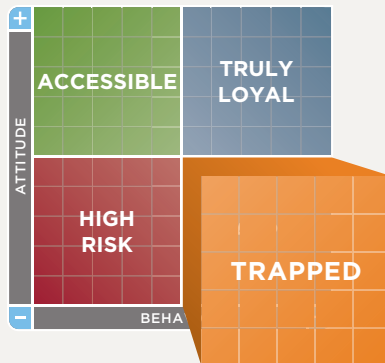
In some ways trapped customers are appealing because they are giving every indication they are going to continue doing business with you. And that’s good!

However, this can be a short-term approach to building customer relationships and companies should be careful with it. We’ve found time and time again there are important differences between a loyal customer and a trapped customer.

Remember, trapped customers show positive behavior (plan to keep doing business with you) and negative attitude (not real happy about it). So it is no surprise that trapped customers tend not to refer you - a valuable element when you are attempting secure new business. What’s more, trapped customers tend not to increase their spending with you and may not be very open when you propose new products and solutions. Finally, when a new competitive offering comes along, trapped customers are much more likely to check it out.

In contrast, loyal customers will refer you, increase their spending at a much greater rate, and will resist other offers when they come their way.

While retaining customers is certainly important, it can be short term. Building loyal relationships is a long-term approach to more rapid growth and higher profitability.



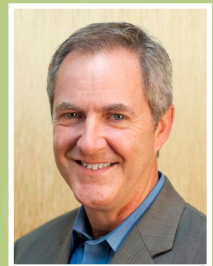
ABOUT THE AUTHOR

PATRICK GIBBONS

Principal, Senior Vice President, Marketing

As senior vice president of marketing, Pat leads initiatives to increase the impact and prominence of Walker in the customer loyalty management industry. He leads new client acquisition efforts and has global responsibility for definition, branding, and promotion of the company and its solutions.

You can follow his blog at blog.walkerinfo.com/blog/engaging-the-enterprise

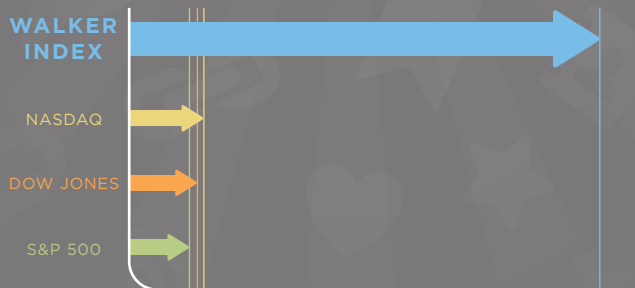


ABOUT WALKER

Walker specializes in customer loyalty and related customer strategies, including innovative approaches to segmenting, valuing, obtaining, serving, and growing customers. Walker's diverse team of consultants provides tailored, comprehensive solutions to help companies achieve their business objectives and, ultimately, grow shareholder value. Walker's consultants regularly conduct workshops and assessment programs to help organizations improve their ability to administer customer listening programs.

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The Walker Index is a stock index comprised of current Walker clients. Companies are included in the index only during their tenure as Walker clients. Companies attracted to Walker are committed to using the customer perspective as an impactful management tool. The Walker Index indicates these companies outperform the broad markets.

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301 Pennsylvania Parkway
Indianapolis, Indiana 46280
Telephone: 1.800.334.3939
International: +1.317.843.3939
www.walkerinfo.com