

Some Things You Need to Know About Customer Advocacy



Catch phrases and buzzwords get tossed around in strategic planning sessions like snowballs in winter. The value of buzzwords usually melts away just as fast. Occasionally, a hot topic has staying power; it has validity in the marketplace and actionability that can be measured. Such is the case with today's hottest topic in market research – Customer Advocacy.

Here are the answers to most frequently asked questions about Customer Advocacy.

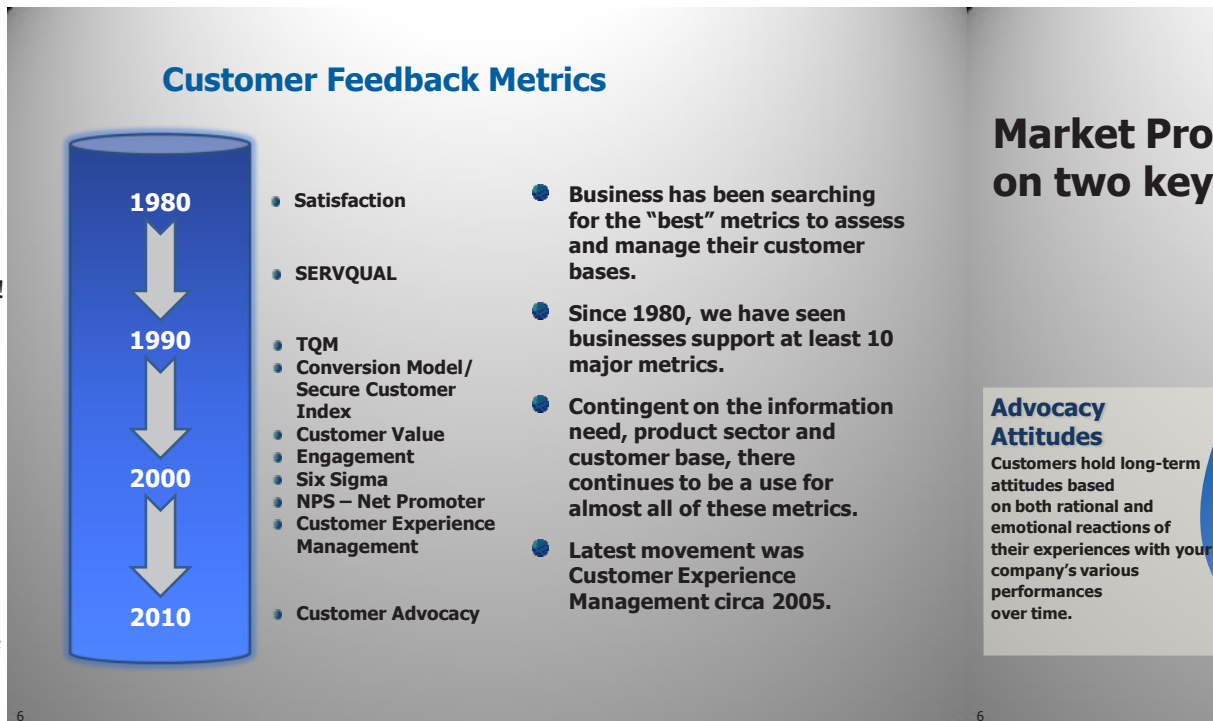
1. Why look beyond loyalty to understand customer behavior?

Market Probe's senior scientists for the most part each have 30+ years' experience in loyalty/engagement measurement and strategy. Since 1980, we have seen many metrics in satisfaction, loyalty and engagement come and go! We realize that all metrics are a product of their then-current reality, and we wondered what metrics would reflect the realities of our customers in today's marketplace.

2. What makes Customer Advocacy the right metric for our times?

Our experts noticed two recent cultural transformations, and they are readily apparent as you go home tonight. First, look around as you drive or commute home: it seems as if everyone is talking on cell phones! Due to great networks, great handsets, and most importantly, inexpensive calling plans, we can now multitask and talk incessantly as we drive, as we commute, as we work around the home, etc. The amount of communication now enacted by most consumers via cell phones has dramatically increased! The second transformation is the expanded sophistication and bandwidth of the Internet, increasing our use of the Web to communicate. Since most of us in the US are on the Web, and

using high-capacity broadband, we now have the option to both express and receive information about products and services we may be considering. Using Facebook, MySpace, specialized communities, blogs, product and retail feedback sites, and even tweets, we have a well-developed Web channel to facilitate our increased communication to others. These two communication transformations truly require a paradigm shift in our thinking about how we manage our customers. It now makes sense to use self-reported recent Advocacy behavior to identify customers who are well engaged with our brands, and those customers that are becoming lost to our brands. In short, people now talk to others so much more about the brands and companies that they use, and we can tap into this behavior to manage our customer base.



3. What exactly is Advocacy?

Like most things in life, it's complicated! The simplest way to understand Advocacy is to think of two constructs existent in any customer. The first is actual, recently enacted behavior reported by a customer in terms of making positive or negative expressions about a brand by the various communication channels now used by them. These communication channels include face-to-face, via telephone or cell phone, online via social networks such as Facebook, blogs, feedback sites, and even Tweets... any channel now commonly used by current consumers. We first query about their recent positive and negative expressions about a brand.

4. How do these two constructs relate to attracting and retaining customers?

We can easily add questionnaire items that assess these two constructs to any survey, be it a relationship survey or a shorter transactional evaluation survey. We then use information about these two constructs to segment each customer of a brand into one of four Advocacy segments, ranging from Advocates (a segment every company should be maximizing), to Allegiant (quiet supporters), Ambivalent (customers somewhat undecided) and finally, Alienated customers, who are actively sabotaging a brand by their negative expressions to others.

Market Probe's Advocacy Framework is built on two constructs:



What is Market Probe's Advocacy Ladder?

Market Probe's Advocacy Ladder is a pictorial representation of a customer base into Advocacy segments.



5. Is Advocacy relevant to just consumer businesses, or does it also have applications in the business-to-business sector?

Successful brands including IKEA, Zappos, Harley-Davidson and Apple have demonstrated the impact of Advocacy. Market Probe's own research has proved the applicability of a Customer Advocacy measurement to the insurance, retail banking, information technology, cellphone and cable/satellite sectors in just the past year among both B2C and B2B customers.

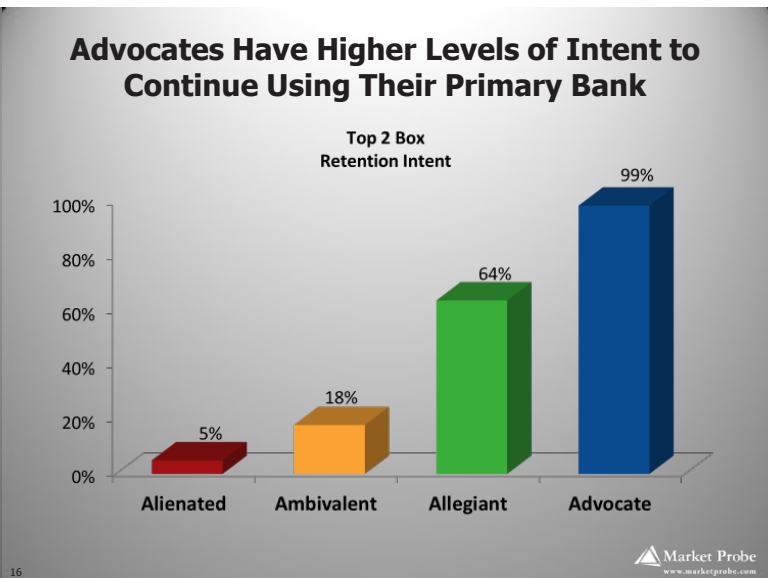
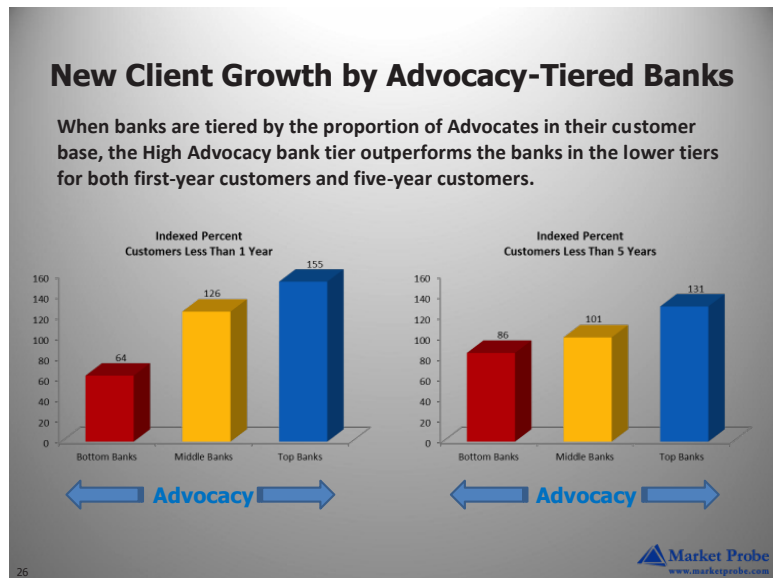
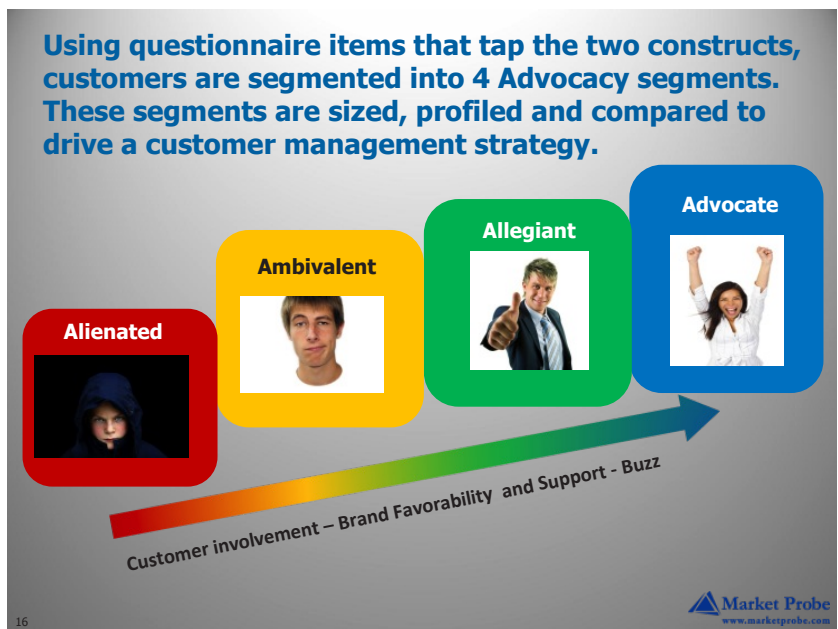
6. What kind of metric can turn Customer Advocacy into actionable information?

When Market Probe first started investigating Customer Advocacy in the summer of 2010, we were united in our goal to only bring to market a metric and approach that would significantly drive revenue growth. We already have too many "nice-to-know" data points in our world. We need metrics that work to drive revenue! We were also keen to move beyond just organic growth, such as customer retention, share-of-wallet and recent cross-sell. We fine-tuned our questionnaire items and segmentation calculations to produce Advocacy segments customized to each industry sector that were associated with new customer acquisition, increased customer retention and increased cross-sell. Another way to look at it is to call those revenue sources the Three R's: Increased Recruitment, Increased Retention and Increased Re-Purchase!

We use survey questions that tap into the behavioral and attitude constructs to segment any customer base into four Advocacy segments, and fine-tune this segmentation to identify the 10-25% of a brand's customers that heavily exhibit these Three R's, and the 10-25% of the customers that are Alienated and definitely not likely to engage in these three revenue-generating behaviors. By sizing, profiling and understanding their motivations, and determining exactly what a brand needs to do to move the customers in each segment to the next higher advocacy segment, we can provide any brand or company the strategy they need to build an enthusiastic and engaged customer base. We view Customer Advocacy as crucial in managing a customer base to its maximal potential.

What we find fascinating is the impact of this metric upon new customer acquisition. Most metrics of loyalty and engagement simply do not address any impact on new customer growth, merely organic growth via customer retention and cross-sell. Since we are measuring the amount of positive and negative buzz as a core component of this metric, we have found that positive buzz really grows a business while negative buzz from customers can literally sabotage the best marketing efforts. A brand really needs to manage both positive and negative communication behaviors by its customer base. Remember, your customer base really does do your marketing for you! And if you don't manage it correctly, it will undermine and sabotage your best (and most expensive) marketing and operational efforts!

By examining the customers in each Advocacy segment, we found divergent revenue behavior. Those brands that had large proportions of Advocates in their customer base had substantially larger proportions of first-year customers, reflecting those companies enhanced ability to acquire new customers. Essentially, these companies with high levels of advocacy had more new customers in their customer pipeline! Looking at just one industry, retail banking, we have graphed how the 20 largest banks perform in the proportion of Advocates for each crossed by the percentage of new customers they have recruited in the past year. We found a strong relationship, and this relationship was just as strong when we looked at the percentage of new customers these companies had recruited in the past five years!



It's intuitive that Advocates of a brand would be more likely to stay with that brand, and that's exactly what we found. Advocates were most likely to say they will stay with their brand, while the Alienated had plans to defect from their brand. Customer retention is key to organic revenue growth, so we were excited to see Customer Advocacy correlated so well with customer retention.

The ability of any company to cross-sell more products and services to its customers and build its share-of-wallet is crucial to successful revenue growth. When we asked consumers about their recent purchases in any specific sector, we found Advocates gave a majority share of their recent purchases to the primary brand, while Alienated were buying products and opening accounts at competitors. It was simply harder for a brand to cross-sell to their Alienated customers who were in the process of voting with their feet. Advocates demonstrated their loyalty with the strongest levels of past purchases and recent cross-purchases from their current brand.

7. Which of the four groups is most critical?

We are surveying both the Advocate and the Influenced, since we are measuring and tracking the entire customer base! We are especially interested in the Advocate segment that communicates positively and frequently about a brand, as well as those Alienated customers whose actual communications can weaken and damage a brand. We have found that brands have thousands of Advocates that positively talk about the brand, in some cases 10 times or more per year, as well as thousands of Alienated customers who annually create 10 or more incidences of negative buzz per year. For one large bank, given the mix of their Advocacy segments and how much they expressed about their bank, we found their customer base created 21 million incidences of positive buzz annually, which just barely offset the 19 million incidences of negative buzz. Another bank, with one of the best mixes of Advocacy segments we have seen, had a level of annual positive expressions that was FOUR times the number of negative expressions. Unless companies effectively manage their Alienated customers, they can suffer a “death by a thousand cuts” destiny, inflicted by each and every customer in their base.

Advocates Hold More Products at Their Primary Bank, And Have Recently Opened More

	Held Products at Primary Bank		Recently Opened at Primary Bank	
	Advocates	Alienated	Advocates	Alienated
DDA	100%	100%	14%	6%
Savings	76%	68%	22%	10%
MMDA	15%	14%	16%	19%
CD's	9%	7%	37%	27%
IRA/401(k)	8%	6%	28%	21%
Brokerage	4%	3%	27%	31%
Mutual Funds	4%	2%	20%	21%
Mortgage	18%	13%	14%	13%
HELOC	17%	10%	15%	8%
Credit Card	35%	26%	23%	13%
Other Loans	7%	5%	24%	6%

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8. What does Customer Advocacy mean to existing loyalty/engagement programs?

The key takeaway for any practitioner of loyalty/engagement programs is to use the metric that truly reflects the customer passion for the brand that you are trying to build. Tracking, profiling and understanding those people that are so enthusiastic and engaged with the brand that they proactively and spontaneously tell others about the brand will enable you to keep these Advocates, and understand how to attract and forge new Advocates. A parallel effort must be mounted to reduce the proportion of customers that are damaging your brand, and companies usually have to make improvements in completely different areas to succeed at both.

The final takeaway is to not be afraid to evolve your customer assessment programs in order to keep current with their behavior. People and their culture change, so your survey programs must also change to stay relevant.

9. Is Market Probe a significant player in global market research?

Market Probe focuses on several areas of survey research: The relationship with the customer, the passion a brand encourages in a potential customer, and custom research requiring advanced techniques. Other than several syndicated tracking program focused on these areas, most of our work is custom and proprietary. We have been known in the research business for our willingness to use cutting-edge techniques in “out-of-the-box” situations.

This approach has propelled our growth. It was only 14 years ago that we had a single Milwaukee Wisconsin office. Now, in addition to our corporate headquarters in Milwaukee, Wisconsin, we have offices throughout the United States, Canada, Belgium, France, the United Kingdom, the United Arab Emirates, India, Bahrain, Singapore, Hong Kong and China, with in-house facilities for field services by Web and phone. Market Probe has been listed among the Honomichl Top 50 US Research Firms for over 10 years, and has been providing survey-based business solutions for more than 25 years.