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JULY, 2010

Advocacy

Real World Actionability Beyond Recommendation

The Case, and Proof of Marketing Value,
for Determining Customer
Advocacy Level



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Real World Actionability Beyond Recommendation

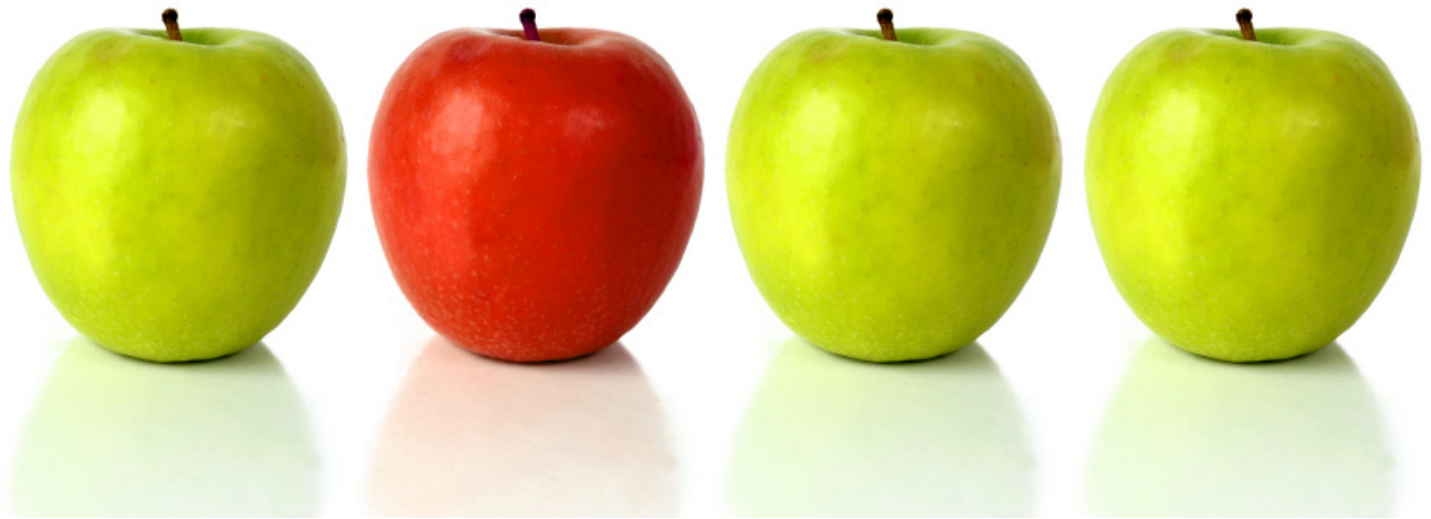
The Case, and Proof of Marketing Value, for Determining Customer Advocacy Level

Virtually every company and market research professional aware of Net Promoter Score, whether they actively use it or not, would agree that the metric provides some degree of value and guidance to organizations. The principal challenge to its more universal acceptance has been that NPS, claiming to be a forward-looking measure linked to business outcomes, has often been found through further research to have tenuous connections to such key marketplace proofs as revenue growth.

What if customer and brand researchers, marketers, and C-suite executives could have a simple, proven, contemporary, and consistent framework for identifying near-term and downstream customer behavior? And what if that framework could provide enhanced actionability around a recommendation score?

For many years, marketing practitioners have been focused on customer loyalty. How do you measure it, how do you protect it, and how do you reward customers for their loyal behavior? What we are coming to understand now is that creating a loyal customer, in the traditional way loyalty has been understood, may not be enough to prevent risk and even

At the same time, we are seeing a group of brands such as Google, Red Bull, Zappos, Apple, Umpqua Bank, Wegman's Markets, IKEA and Harley-Davidson, each having a dedicated and enthusiastic group of customers who are more than just loyal, they are - customer advocates. Once these select companies have built a critical mass of customer advocates, they enjoy benefits which most brands could only dream of. They get massive social word of mouth exposure, they have lower customer acquisition costs and marketing budgets, have lower CS costs (or none in the case of Google), they can enter new market areas, etc. The most remarkable example of customer ad-



loss. Customers may say that they are loyal to the brand and say that they will use the brand again, and even claim high recommendation likelihood; but, given the opportunity, many will often switch with little or no hesitation. We have seen this in industries such as retail, wireless telecom, credit cards, and travel, each of which has spent more than almost any other industry on loyalty tools; however, the switching virus has spread to many other b2b and b2c sectors to the point where it is at pandemic levels.

vocacy may be Google, which not only doesn't do any marketing (in the traditional sense) but also doesn't have any customer service; and, yet, Google still has a large cadre of users who are passionate about their value proposition.

Customer loyalty, in and of itself, principally focuses on retaining customers, cross-selling and upselling them, and creating 'barriers to exit' in the macro sense. In today's interconnected world, with active vendor substitution and low trust levels, search-and-switch migra-

tion, and high churn rates an everyday reality, traditional approaches to customer behavior and experience management can often fall short. Advocacy, the highest expression of customer loyalty behavior, will be the standard for successful brand and corporate performance going forward.

What Do We Mean By ‘Customer Advocacy’ and ‘Customer Alienation’ (aka Badvocacy)? Advocacy occurs when customers select a single supplier from among all those they might consider, giving that supplier the highest share of spend possible, and informally, voluntarily (without any form of compensation), and often frequently telling others about how positive the relationship is and how much value and benefit they derive from it. Advocacy incorporates opinions formed from customers’ transactional and other contact experiences, but it is built on a foundation of strategic, positive purchase and communication behavior. This level of behavior results when the customer is favorable toward a supplier, and not only purchases consistently from that supplier over others, but also actively tells peers about the personal value and benefit received from the relationship.

How is advocacy different from satisfaction or loyalty (or even recommendation or referral), which so many companies use as key measures of performance and effective customer management? Satisfaction, because it depends principally on attitudes and recent transactions, as well as the tangible, functional elements of value, isn’t dependable because it doesn’t correlate very well with long-term relationships and bonds with suppliers or with key monetary measures like share of spend.



Loyalty, though it recognizes a longer-term relationship and more active purchasing from fewer suppliers, or a single supplier, often doesn’t take into account the power and influence of peer-to-peer communication, now determined by multiple studies (including a recent one from McKinsey) to leverage 20% to 50% of brand and supplier decisions. Advocacy considers not only the likelihood to have an exclusive purchasing relationship, but it also incorporates both strong emotional kinship and active, positive, and voluntary communication about, and on behalf of, the chosen supplier.

By focusing on advocacy (and mitigating or eliminating alienation, and even sabotage), companies are able to strategically, and positively, differentiate their value proposition while, simultaneously, they create optimum levels of desired customer behavior.

The Marketing Value of Customer Advocacy (and Potential Negative Impact of Alienation)
Much of customer advocacy (and alienation) depends on earned levels of trust and openness between individuals, and between companies and their customers. It also incorporates related concepts such as objectivity, authenticity, belief, credibility and expertise, honesty, sincerity, reliability and originality in the online and offline communication methods that they, themselves, have created.

No matter how well suppliers believe they understand their customers' needs and their behaviors on an individual basis, they must have both a strategy and array of communication and relationship-building tactics which will help customers create influence and personal leverage, peer-to-peer and situation-by-situation. What this means as an end goal is creation of active advocacy, a state of elective, personal, often deep-rooted and emotional engagement between a customer and supplier that goes beyond satisfaction, beyond delight, beyond loyalty and even beyond commitment. Conversely, a product or service can have equally alienated customers, ardent critics and detractors who will work to actively undermine the brand or supplier.

Advocacy represents the highest level of customer involvement and loyalty behavior achievable; interaction with suppliers on an individual and emotional level well past the typical functional, passive relationship be-

tween supplier and customer; and having them proactively and voluntarily convey their experiences to friends, relatives and colleagues.

Active advocates are fully committed, with an emotional connection well beyond the typical relationship of customer and supplier. They are the customers with the highest level of involvement - active, vocal and proud.

These are the *crème de la crème*: the people who "live" the brands that they regularly use and help to build, or sustain, its reputation. Their lifestyle often mirrors that offered by the brand, and they are active in talking about their experiences.

Further, and most importantly, advocates have demonstrably more powerful and sustainable behavior than most customers. The proof of this will be presented in the form of b2b and b2c research from multiple sources. Brands and marketers are more aggressively using social word of mouth, both online and offline, to activate purchase intent and related positive behaviors.

Advocacy is not merely a different spin on gaining insight about customer purchase, referral and communication behavior. Arguably, because the name of the game is value optimization, learning about how customers perceive suppliers, brands, products or services and then having them carry their experiences and consideration forward and communicating as active advocates is, or will become, the only way to think about them.

UNDERSTANDING & LEVERAGING CUSTOMER ADVOCACY

WHAT ARE THE SPECIFIC BENEFITS TO SALES, MARKETING, AND CUSTOMER SERVICE ASSOCIATED WITH UNDERSTANDING AND LEVERAGING CUSTOMER ADVOCACY? THERE ARE SEVERAL, AND ALL ARE VITAL:

01

INTELLIGENCE

It helps companies identify how emerging trends, image, service performance and reputation relative to competitors, problems and complaints; response to new product or service ideas; and even rumors and back-fence Internet digital, and offline, gossip can affect customer behavior.

02

STRENGTH

It is a means to understand and address the strength of the customer franchise and how this will differ by segment within the base.

04

PERCEPTION

It identifies exactly why and how these perceptions have developed so that companies can act, both tactically and strategically.

03

MOMENTUM

It helps companies determine the amount of momentum behind the franchise and if competitors are undermining it.



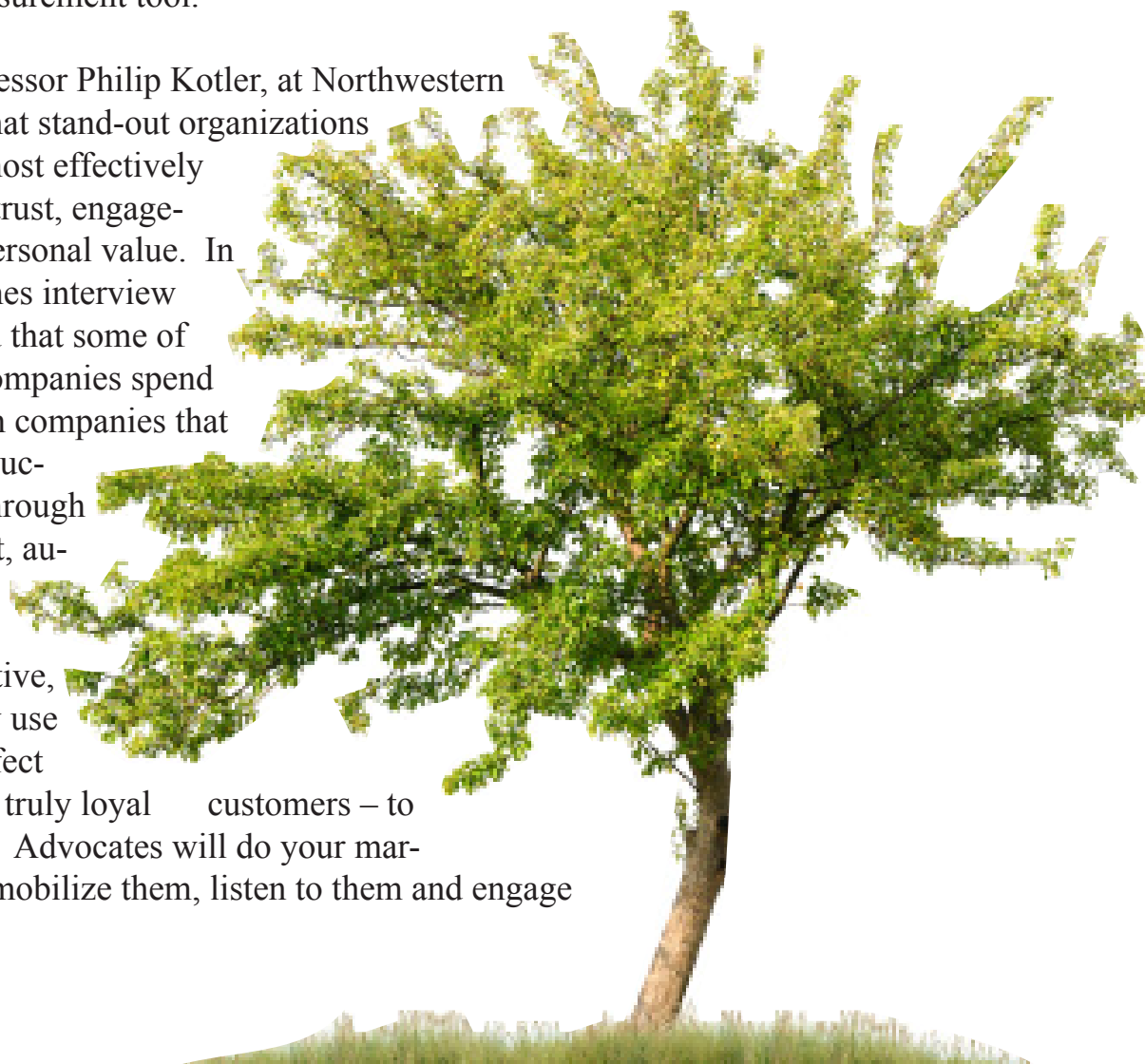
Beyond operational, marketing, and communication impact, the direct financial return for creating active advocates is both real and substantial. Studies in many industries have found that, compared to customers who were highly satisfied or even highly likely to recommend (as those who promote this metric as the single number that can be used to understand the drivers of growth), those who are true brand advocates have used products more recently, more frequently and with higher share of spend than customers with high satisfaction and high downstream likelihood to recommend.

Further, significant changes in level of monetization, notably share of spend, can be identified at each level of advocacy, i.e., as the level of engagement rises from negative (alienation and sabotage), to passive and indifferent, to positive, to real advocacy, share of spend dramatically increases.

THE FUTURE OF CUSTOMER ADVOCACY

As a management and customer relationship concept, advocacy has just begun to become mainstream. Over the past few years, advocacy and social media impact studies have been conducted by some of the leading management consulting companies, such as Bain, Gartner, Hitachi, Forrester, and IBM. McKinsey, for instance, has recently introduced a word-of-mouth marketing measurement tool.

Noted marketing Professor Philip Kotler, at Northwestern University, believes that stand-out organizations are those which can most effectively optimize stakeholder trust, engagement and perceived personal value. In a recent Financial Times interview article, Dr. Kotler said that some of the most successful companies spend less on marketing than companies that have achieved lower success, building value through inclusion, engagement, authenticity, and stakeholder focus. Though it sounds counterintuitive, Dr. Kotler said, “They use the word-of-mouth effect of unpaid advocates – truly loyal customers – to boost their reputation. Advocates will do your marketing for you if you mobilize them, listen to them and engage them.”



Here is another example of how the power of word-of-mouth and advocacy are increasingly being recognized at senior marketing and corporate levels: Jaime Cohen-Szulc, CMO of Levi Strauss (formerly with Eastman Kodak and S. C. Johnson), keynoted the Ad:Tech San Francisco Conference early in 2010. In his presentation, Cohen-Szulc recommended that marketers stop focusing on loyalty, and turn their attention to advocacy. “Loyalty is very passive.” he said. “I may be loyal and buy products from a brand, but I don’t go out and speak about the brand. Advocacy is active.” He also spoke about including customers as a strategic entity and resource, by having them share views and help reinvent brand and corporate perceptions. He concluded, “It is not about selling a product. It is about being coveted and creating a consumer experience. It’s about quality and consumer relevance of the core idea. It’s about a holistic business view.”

It’s not at all an oversimplification to say that advocacy is essential to effective customer management. The reasons boil down to this: when companies have created a corps of active advocates among their customers, they have succeeded in capturing the hearts, minds, wallets, and vocal chords of this group. These are customers who, through their personal, voluntary peer-to-peer communication, and marketplace activity, will vigorously leverage more active purchase behavior, both among other customers and non-customers as well. The ultimate goal of every marketer and every company, therefore, should be to make every customer an active advocate while simultaneously reducing or eliminating customer indifference and/or negativity. As stated, we believe that, going forward, advocacy will represent the standard for performance, and profitable, excellence.

DR. MICHAEL LOWENSTEIN

CUSTOMER ADVOCACY



VIDEO

Market Probe has recently completed a major survey of consumer banking brand advocacy, and the results will be reported in articles, blogs, white papers, presentations and future issues of Survey. In the meantime, we would be pleased to discuss our approach to advocacy measurement with all those interested in learning how it can benefit their business.

Dr. Michael Lowenstein, CMC, Executive Vice President, Market Probe

Michael is an active international conference keynoter and speaker, workshop facilitator and trainer who draws upon his 30+ years of management and consulting experience in customer and employee loyalty research; CRM; loyalty program and product/service development; customer win-back; service and channel quality; customer-driven corporate culture; HRD; and strategic marketing and planning to help educate others in the industry.



He is the author of four widely-regarded stakeholder and enterprise management books, including One Customer, Divisible (2005), and has written over 125 stakeholder-related white papers, journal articles, and columns.

Lowenstein's broad experience includes serving as a Customer Life Cycle Workshop Developer/Facilitator for the Direct Marketing Association, and serving as a Customer Loyalty/Stakeholder Behavior instructor for Pennsylvania State University/ American Marketing Association, American Society for Quality, The Conference Board, ESOMAR, Bank Administration Institute, Frost & Sullivan, Institute for International Research, SOCAP, Marcus Evans, UNI, eCustomer Service World, and the American Management Association. He has presented at industry and professional conferences across the United States and in over 20 international countries, and consulted with corporations such as Toyota, Aetna, Nestle, MetLife, National City, General Motors, EarthLink, Wachovia, Daimler-Chrysler, BellSouth and Charles Schwab. Additionally, he has lectured in the M.B.A. and E.M.B.A. programs of University of Pennsylvania, New York University and Columbia University.

He holds a doctoral degree from ISGI Groupe Ecole Supérieure de Commerce de Lille (ESC Lille), Euralille/Paris, France, an M.B.A. degree in marketing and management from the University of Pittsburgh, and a B.S. degree in economics and marketing from Villanova University. Also, he holds a Certified Management Consultant (CMC) professional designation, awarded by Institute of Management Consultants, USA.