

## Research: Loyal, but to whom?

A company's success can hinge on the degree of loyalty its customers show towards its brands or the company itself. Marketing efforts therefore often target this variable by rewarding customer loyalty. These efforts include loyalty and reward card schemes, and savings campaigns.

However, research shows that corporate success is not only driven by brand or company loyalty, but also by loyalty to representatives of the company in question (such as the relationship between an investor and his/her personal banker). These kinds of relationships are often long-term affairs marked by solid mutual trust. That is certainly no bad thing for the company, but when customers are too loyal to a specific representative, the company will also be more vulnerable. After all, representatives can decide to pack up and go work somewhere else, taking 'their' loyal customers with them.

The research was conducted among 362 business-to-business companies (customers and representatives) in various European countries. Three kinds of data were analysed: information about the relationship between the selling company/representative and the customer (from the customer's point of view), information about that same relationship from the point of view of the selling party. And objective sales figures were also scrutinised (as provided by sales managers).

The main conclusion that emerges from the research is that the relationship between buyer and seller is the most important criterion in the making of new purchase decisions. Even when the buyer has a plethora of other options from competing companies available to him/her, and can compare prices of different propositions, the relationship with the sales person is in most cases the deciding factor when making a purchase. The researchers therefore urge companies to take a much closer look at the degree of loyalty displayed by its customers. It is, after all, crucial for a company to know, for the sake of its continuity, whether customers are loyal to certain people or to the brand or company.

The final conclusion is that companies should develop strategies that both stimulate loyalty to the sales person and loyalty to the brand. That will boost short-term sales, and also benefit the company's long-term continuity. ABN AMRO could, for example, instruct its private bankers to continuously stress to their customers what benefits ABN AMRO products offer and/or draw attention

to ABN AMRO values instead of overly stressing the mutual trust at the basis of their relationship.

*Reference(s)*

Palmatier, R.W., Scheer, L.K., Steenkamp, J.B.E.M. (2007), Customer loyalty to whom managing the benefits and risks of salesperson-owned loyalty. Journal of Marketing Research, vol.44, no.2, p.185-199. \*

\* : available in the EURIB library.