

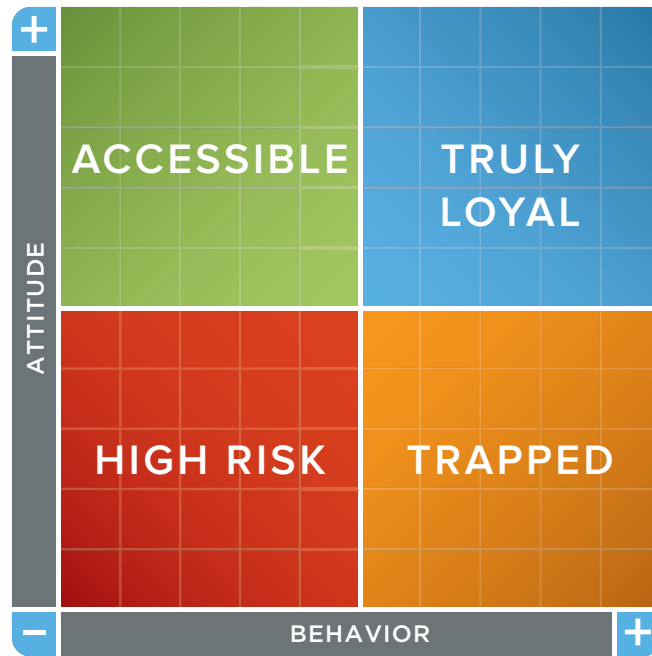
THE WALKER
LOYALTY
MATRIX™



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Walker’s Loyalty Matrix is a framework for measuring loyalty and assessing the stability of an organization’s customer base. Frameworks are useful as they provide a practical way to better understand business strategies. In the case of the Loyalty Matrix, it is a versatile approach, providing businesses with a practical means to leverage the voice of the customer for improved business performance.

The Walker Loyalty Matrix takes a scientifically validated approach to the theory of customer loyalty to create a pragmatic solution to understanding the two dimensions of true loyalty – customer behavior and the attitudes that support these behaviors. The motivation in creating the Loyalty Matrix was an early recognition by Walker that the conventional metrics of customer affinity – namely satisfaction, repurchase intent, and recommendations – were, in isolation, insufficient metrics to fully understand the complexities of customer behavior and its underlying motivating forces.

After studying academic literature in the mid-90s, Walker developed the Loyalty Matrix as the key means of segmenting customers based on their level of loyalty toward the organization. Since that time, Walker has developed and refined formulas for customer segmentation based on the Loyalty Matrix quadrants. As recognized thought leaders in the practice of customer loyalty consulting, Walker’s team has been at the forefront of studying and refining the science of customer measurement, using a mix of independent studies on loyalty, customer-commissioned studies on loyalty with thousands of organizations, and ongoing review of the emerging academic literature.

CUSTOMER LOYALTY

Since the mid-80s, Walker has been a pioneer in the area of customer satisfaction and loyalty. Walker's work with clients and independent research has been focused on developing measurements to help organizations make better business decisions. Customer loyalty has emerged as one of the most reliable metrics because of its forward-looking nature. Using a customer loyalty metric to complement historical metrics, such as sales, profitability, operational metrics, and others, helps an organization make better decisions based on customer insights.

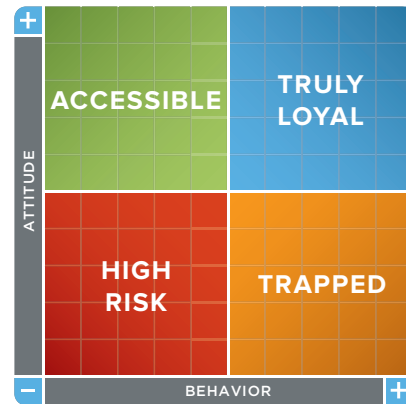
While many assert that loyalty is simply repeat purchase, Walker's Loyalty Matrix is designed to address the elements of both behavioral loyalty as well as attitudinal loyalty. By adding the attitudinal dimension, we are able to further segment the customer base. For example, a customer who will continue to purchase, but has low commitment, makes them trapped. This is in contrast to truly loyal customers which have both high behavioral and attitudinal loyalty. This is meaningful because if left unaddressed, trapped customers follow a slippery slope toward defection. However, truly loyal customers tend to purchase more, are more secure sources of revenue, will be prone to buying a broader range of products, and are more likely to recommend the company to future customers.

From a business perspective, this enables companies not only to understand some of the motivation behind the customer behavior, but also provide a better barometer of revenue, profit, risk, and an organizational call to action.

QUADRANT DESCRIPTIONS

The Walker Loyalty Matrix is structured so the two axes represent the two aspects of loyalty – attitude and behavior. This forms four quadrants that can be defined as follows:

- **Truly Loyal** – These customers 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.
- **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. What it typically means is that something has changed in their business and they do not need your product or service any longer. However, they are often good advocates and will typically speak highly of your company.
- **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 locked into long-term contracts, lacking a suitable substitute, or finding that it is too hard to switch. Eventually, trapped customers will find a better option and are not likely to continue or increase business with you.
- **High Risk** – As the name implies, these customers do not intend to return and do not have a healthy attitude about their relationship with your company. Typically, they are halfway out the door and not only will they no longer be a customer, but will also talk poorly about you in the marketplace.



This breakdown provides a very practical and flexible way of segmenting customers. For each of these quadrants specific action plans can be drawn to dramatically improve business performance.

APPLICATIONS OF THE LOYALTY MATRIX

The Loyalty Matrix provides a rich, multi-dimensional, actionable approach to measuring loyalty. It goes beyond a simple customer satisfaction score, Net Promoter score or similar metric, to provide a richer source of information. One of the greatest aspects of the matrix is its flexibility and how it can be applied to a variety of business situations. Walker clients have used the Loyalty Matrix to:

- provide an ongoing snapshot of overall customer stability
- filter by geographic region so performance comparisons can be made
- filter by branch, store, or other business unit to create benchmarks for performance
- provide a breakdown of loyalty by product or solution
- link to other customer metrics, such as revenue and profitability
- link to operational metrics, such as delivery time or quality
- provide more accurate forecasting and account planning of future business with current customers
- establish a more precise understanding of the relationship within strategic accounts
- assess loyalty by individual contact within an account so that intra-account defection risk can be understood and strategies can be developed to improve specific relationships
- provide a snapshot of employee loyalty
- bridge the gap between macro-level initiatives that will impact perceptions of all customers vs. micro-level strategies and tactics designed to maximize the impact on a single account

A SUPERIOR FRAMEWORK

What differentiates the Loyalty Matrix from other methods in the marketplace? Here are the key factors that separate the Loyalty Matrix from other alternatives:

1. **Scientifically sound but practical** – While the science of the Loyalty Matrix is complex, the method by which the information is communicated and used is simple to comprehend.
2. **Multifaceted** – Humans are complex beings; as such, it is counterintuitive to assume that their motivations and behaviors can be explained by a single metric. By embracing these complexities, the Loyalty Matrix provides a more robust understanding of customers.
3. **A blend of the means and the ends** – By understanding the attitudes of customers (the means), we can better predict how they will behave (the ends) in both the short- and long-run.
4. **Action-oriented** – Simply telling a client that the key to better financial success is to satisfy more customers or create more promoters leaves more questions than answers. Being able to understand the attitudes and intended behavior of the customer, coupled with the granularity provided with the underlying experience data provides a rich framework by which strategies and action plans can be developed.

Walker continues to study the science of customer behavior in an effort to provide solutions that will have significant, lasting impact on our clients' business success. The goal is not simply to understand why customers behave the way they do, but also to help clients develop the strategies and tactics that will create transformational cultural change within their organizations. The underlying theory is simple – over time one of the few (if not the only) sustainable competitive advantages firms have is their culture. Moreover, those with a customer-centric culture will outperform their peer set and their markets at large in the long run.

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.

WALKER CLIENTS INCLUDE:

- AAA
- ACI Worldwide
- Adobe
- Avaya
- Avnet
- Blackbaud
- Brightpoint
- Castrol
- CDW
- Cisco
- D&B
- ExactTarget
- EMC
- IHS
- Intel
- McAfee
- NCR
- NetApp
- Pepsi
- Tetra Pak
- Sysco
- Wellpoint

THE WALKER INDEX™



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.

For the most up-to-date Walker Index, please visit walkerinfo.com



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