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department BUSINESS SURVIVAL STRATEGIES



Manufacturers benefit from examining customer loyalty

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Whether a sense of loyalty develops often depends on one particular dynamic: a customer's relationship with the salesperson. A team of academic marketing professors, including one from the University of Missouri-Columbia, found that customer loyalty toward the salesperson -rather than the products and services tied closely to the seller-can inspire greater sales. This finding is often negative for the manufacturing business leaving the company more vulnerable.

According to Lisa K. Scheer, Ph.D. (and Distinguished Professor with the University of Missouri-Columbia, College of Business), "Based on our findings, we strongly recommend that businesses develop strategies that encourage not only salesperson loyalty, but also enhance the company's

products and value. Doing so results in loyalty to both the company and salesperson; in the long run, it is good for sales and revenues. Companies that believe they understand loyalty among their customers may be fooling themselves. They may not really understand precisely where that loyalty is directed. Is it to specific individuals who service them and work with them, or is it with the company and its products or brands?"

The study focused on business-to-business relationships between 362 industrial buyers and the manufacturers' representative salespeople who market products to buyers in a wide-range of industrial markets. Three sources of data were analyzed: the buyer provided information about his/her relationship with the selling company and salesperson; the salesperson provided informa-

tion about the same relationships with the buyer; and sales managers shared objective information about buyers' purchases. Scheer said, "Despite having multiple sources to purchase from and numerous resources to compare prices, the bond between buyer and salesperson greatly influenced the transaction."

Scheer suggested that relationships play a big role-whether customers are loyal to buying from one source or another. In the study, three-fourths of the buyers had other sources they could go to for exactly the same product; but they stayed loyal to a particular company. Even in a business-to-business context, the personal relationships are important. Companies need to understand the drivers behind customer loyalty. Is it vested in elements the company really controls and owns-like the brand, trademarks and products? Or, is it vested more in things that are not under the company's control? What happens if a salesperson leaves to join a competitor?

Manufacturers must use more in-depth surveys to better understand factors that result in loyalty. "Current approaches are often too vague-only asking "how likely are you to buy these products again or patronize us again? They don't get into why's," according to Scheer.

Hosted solutions such as Salesforce.com address the difficulties associated with deploying traditional client server based CRM (customer relationship management) solutions, but utilization rates have remained low and customer renewals have been problematic. This is the direct result of a business model that does not include the proper planning and coaching required to ensure customer utilization. Regardless of the deployment model (in-house or hosted), there is still a reasonable degree of planning and mentoring necessary for the successful implementation and utilization of CRM.

According to Larry Caretsky, president of Commence CRM, "Few have addressed this requirement with extraordinarily effectiveness, however through the use of a proprietary implementation methodology called STEP (Selling Tools Enablement Program), this measurement of customer loyalty and buying patterns can be effectively quantified."

STEP outlines the planning and responsibilities required by the customer and ensures a successful implementation and use of a SaaS (software as a solution) CRM solution. This critical training functionality has been missing in the industry and has become a significant differentiator for industrial businesses.

Many of SMB companies, while small, have simply outgrown their contact managers and are looking for tools to help them improve sales execution and customer service effectiveness. In order to achieve these improvements, SMB companies require an integrated CRM system that supports sales, marketing, and customer support, while providing better collaboration and disparate system integration. In the past, this level of functionality was too expensive for small to mid-size companies and required IT support. Hosted solutions make this level of functionality affordable, easy to use, and simple to deploy.

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