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## **The case for wooing non-loyal customers**

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### Introduction

In the dog eat dog world of customer acquisition and retention, it's commonly believed that your most loyal customers are your greatest allies when it comes to converting other people. Naturally, you'd want these loyal customers to be the key participants in marketing campaigns designed to drive product recommendations.

Or would you?

For the past five years, we've been running consumer engagement campaigns with our Yooster panel in Australia, specifically designed to gain market insight and foster advocacy for FMCG/CPG brands and products.

The London School of Economics and Political Science's Dr. Alain Samson, a research expert in consumer behaviour and psychology, recently conducted an independent investigation by analysing the secondary data from a selection of Yooster campaigns, and detailing the results in an academic paper published by the *International Journal of Market Research*. [1]

One surprising result appeared to be consistent across all campaigns in all sectors, and seemed to go against the grain of accepted wisdom: the best drivers of product recommendations are not loyal customers but *non-loyal* customers – people who've tried your product and may even still use it but use a rival product most often.

### FMCG consumer engagement approach

FMCG products tend to be everyday items that present a low financial risk for consumers, however they also have low conversational currency compared to products such as iPhones and Jimmy Choos. There may be some exceptions in the health and beauty category, where potential purchasers may seek advice from category experts or so-called influencers, but purchasers are less likely to seek advice about FMCG products from the kind of online channels they use to wade through the options on offer in the consumer electronics or automobile arenas.

The lack of conversational currency for FMCG products presents businesses with a challenge when it comes to activating product recommendations, particularly via increasingly important online social channels.

To overcome this, FMCG brands need to activate direct-to-consumer conversations, rather than go down the more PR-oriented route of looking for category influencers to spread the good word about their products.

The Yooster consumer engagement process creates a product trial experience that encourages peer-to-peer conversations about the featured product itself, rather than about the marketing communications around a product.

Each campaign involves a subset of Yooster consumer panel members from across Australia who are pre-profiled upon sign-up to the panel using a brief psychographic and demographic screener that investigates influence, social connectedness and interests.

During the planning stage of a campaign, members are further profiled via a blind survey, in which the featured product is not revealed, for current relevance to the campaign product category.

Relevant Yooster members are then invited to try the featured product - free samples are posted to their homes or workplaces. Exclusive access to free samples of a product or service conveys a sense of privilege through being the first to know the latest product news and the first or only people to try the product in this way. This VIP status is one key advocacy trigger.

Crucially, extra (often mini) product samples are included in the delivery to participants, in order to enable participants to share their VIP product trial experience with their own 'chosen few'. This personal filtering to relevant secondary contacts is powerful. The ripple effect gets diluted the further away you get from someone who has had an actual product experience. So "I've tried this and I think you might like it" or "I'm trying this because someone I know thought I might like it" is more convincing than "I know someone who tried that and liked it", particularly with low credibility FMCG products.

The second trigger to product recommendation builds on the first by activating the "I did that" effect. Participants are asked to help influence business decisions about the featured product, providing more opportunities to talk about it and their experiences of it that might not normally enter everyday conversation.

The Yooster methodology includes feedback mechanisms in the form of questionnaires and polls that not only enable campaign participants to impart their influence, but also measure the level of engagement and advocacy being generated during the campaign period (typically four to eight weeks). The design of the questionnaires captures participants' attitudes, behaviour and intentions before and after their product trial, including the contexts in which they have shared their views and product experiences.

In the past, campaign results analysis has focussed predominantly on the impact and links between the word-of-mouth-driven, peer-to-peer advocacy that has been generated during a campaign and an early indication of sales uplift.

For example, one campaign for Australia's leading natural health company Blackmores enabled a targeted subset of 2,000 Yooster members to experience a natural cold relief supplement on an exclusive basis. Each participant was sent a study pack containing one bottle of 60 capsules to try themselves, 10 sachets of six capsules to share with their own relevant contacts, and an educational booklet. They were asked to vote in two polls and complete two surveys (pre- and post-experience). The campaign increased recommendation rates by 100%, moving the Blackmores product from the lowest to the highest rated product among 17 rival cold relief products. 77% of respondents said they would use the product, and initial sales of at least AUD160,000 were reported from participants and their contacts.

In another Blackmores campaign, this one for a natural odourless fish oil supplement, 82% of the participants had not used the featured product before. (48% had never tried *any* fish oil supplement before.) The campaign increased recommendation rates by 95%, and purchase intentions rose from 20% pre-campaign to 74% post-campaign. Initial sales of at least AUD287,000 were reported.

Likewise two Yooster campaigns for NIVEA face care products saw recommendation rates and subsequent sales increase significantly. The proportion of respondents who said they were very likely to recommend one NIVEA face cream rose 44% during the course of its Yooster campaign, and the product's overall recommendation rating moved it from 14<sup>th</sup> place to 1<sup>st</sup> place among its category rivals. In the other NIVEA campaign, 85% of respondents planned to buy the featured product after their campaign experience. The product subsequently experienced double-digit sales growth and became the fastest-growing brand in the mature skin category in Australia that year.

#### The power of non-loyal customers

As more Yooster campaigns have been completed over the years, it was noticed that different kinds of participant were generating different levels of advocacy.

Dr. Samson investigated the relationship between different aspects of product usage and word of mouth by analysing the secondary results data from a selection of Yooster FMCG campaigns run in 2007-2009. His analysis revealed that non-loyal customers generated approximately *10 percent higher* attitudinal conversion rates (interest in buying the product among other people) than loyal customers, as well as a greater absolute number of converts.

Dr. Samson suggests that one likely reason for this unexpected clout from non-loyal customers is that, while customers may generally be more motivated to talk about a brand, non-loyal ones may have a contact network that is less saturated with people who already use that brand, so there's more room for conversion. This means that even people who have never used a trialled product before can be better than loyal customers at generating effective word of mouth. In addition, non-loyal customers who use multiple brands' products within a specific category are also more experienced in that category

and as a result may be more credible to their contacts. Finally, if non-loyal customers are ex-users wooed back as a result of a privileged product trial, they may also have a heightened sense of goodwill for your brand and therefore a motivation to be evangelistic.

These findings are supported by other research that has been conducted in the field of consumer word-of-mouth communication kickstarted by businesses. For example, David Godes and Dina Mayzlin, Associate Professors at Harvard University and Yale University respectively, examined the sales effect of regular versus less loyal customers' firm-created word of mouth about a restaurant chain. They found that "the WOM that is most effective at driving sales is created by less-loyal (not highly-loyal) customers." [2] Another related study, exploring the value of word of mouth and published in the Harvard Business Review, found that "your most valuable customers are those whose word of mouth bring in the most profitable new customers." [3] And more recently, a new book by Byron Sharp argues for a focus on brand penetration rather than loyalty in order to increase market share, illustrating that loyal customers don't translate into as much added value as some would think, and that penetration (for example, via networks) can be a key variable to achieving growth. [4]

#### Using the results: improved targeting and the rise of social CRM

As we have argued before [5], the power of business-generated consumer word of mouth is not in its reach, as traditional mass marketing aims to achieve, but in better targeting throughout people's networks.

From Dr. Samson's findings and related research, "better targeting" and consequently greater value to businesses that want to kickstart consumer advocacy for their products involves refining your customer segmentation:

- By all means use the 80:20 'rule' of which customers deliver the most revenue, but also find the customers who refer those high net worth people.
- Engage with non-loyal customers i.e. people who have used your product in the past and may still use it to some extent but use a rival product most often.

Given that non-loyal customers are better than loyal customers at generating interest in buying a product, FMCG businesses that have set up communities populated by loyal advocates should review the value of any advocacy work conducted with these communities.

Dr. Samson's findings will also enable us to improve our methodology. Businesses should consider adopting this kind of 'test and refine' approach for CRM activities. Consumer engagement processes like ours, that have been used mostly for word of mouth marketing to date, are developing into a more public style of CRM whereby closed communities are linked to the likes of Facebook and other channels through Facebook Connect, OpenID, etc. This new democratisation of consumer engagement is enabling businesses to have a more direct relationship with consumers, which presents more opportunities to activate positive product-related conversations in places where campaign participants are networking with other people.

Dr. Samson's findings are based on secondary not primary research, however they represent evidence that helps form the basis for further investigation, particularly into how what has been ostensibly consumer engagement for word-of-mouth marketing evolves to become more social CRM.

[1] Samson, Alain (2010) **Product usage and firm-generated word of mouth: some results from FMCG product trials**. *International journal of market research*, 52 (4). pp. 459-482. ISSN 0025-3618

[2] Godes, D. & Mayzlin, D. (2009) **Firm-created word-of-mouth communication: evidence from a field test**. *Marketing Science*, 28, 4, pp. 721–739

[3] Kumar, V., A. Petersen and R. P. Leone (2007), **How Valuable is the Word of Mouth?**, *Harvard Business Review*, (October), pp. 139-146.

[4] Sharp, B. (2010), **How Brands Grow: What Marketers Don't Know**, Oxford University Press, (May). ISBN-10: 0195573560

[5] Samson, Alain and Kirby, Justin (2008) **Who or what really influences word of mouth trends?** *Admap*, (July). pp. 48-51. ISSN 0001-8295, citing J L Iribarren and E Moro: **Network Patterns of Viral Marketing**. Unpublished manuscript, 2008.