Why advocacy matters to online retailers

*Moderator: Laura VanTine*

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**Laura VanTine:** Good afternoon. This is Laura VanTine and today I’ll be speaking with Maureen Stancik Boyce, IBM’s Institute for Business Value Distribution Team Leader, about their IBV study Why Advocacy Matters To Online Retailers.

Welcome, Maureen.

**Maureen Stancik Boyce:** Thank, Laura. I’m excited to talk about our study today because there’s a lot of great information and I think it can really help our clients in this economic environment.

**Laura VanTine:** So let’s start out with the general purpose of the study, why advocacy matters to online retailers?

**Maureen Stancik Boyce:** Sure. The reason we did the study was to get deeper knowledge about consumers who shop online. We conducted a study of U.S. consumers, and it was about 2,500 consumers. We wanted to understand how they feel about their shopping experience.

We also wanted to understand how strong is the customer support for their primary online retailer. So they might shop at multiple retailers, but we asked who do you shop at most often; and that’s how we defined their primary online retailer.

We also asked questions about what elements of the online customer experience are most important to the customers. We wanted to understand how well different online retailers were positioned how good a job they’re doing in offering what the customer wants. And so we ranked the different retailers across each other and how many advocates they do or do not have.

We also wanted to understand what advocates look like demographically, what’s important to them, stuff like that, and how valuable they are. And, finally, we wanted to understand what actions an online retailer could take in order to gain more advocates.

**Laura VanTine:** This study is so clearly focused on advocacy. Can you please explain a little bit more what you mean by advocacy?

**Maureen Stancik Boyce:** Sure, and that is very important. So advocacy really is defined by three components. The first thing is likelihood to recommend. The second is purchase intent. And the third is staying rate. And let me define each of those. So the first, likelihood to recommend, that’s typical in any kind of CRM or loyalty study, and that is, would a consumer recommend their primary retailer to family and friends. So that’s the first criteria.
IBM has added two others that we feel really help define and show the difference between the casual advocate versus the true advocate. The second criteria is purchase intent. And that means a customer’s willingness to purchase new products from their primary retailer that they normal buy elsewhere.

So an example would be that an online retailer offers only clothes now, and if they started offering accessories, which they can’t purchase currently, that they would in fact buy accessories from that same retailer. And a third criteria that we use is staying rate. And that means if a new retailer opened up that offered similar products with a similar price point, would the consumer switch to the new retailer or would they stay with the current primary retailer. And if they stay, they get a check mark in their staying rate.

So anyone who might say yes to two or even one of the three criteria might be defined more as an apathetic. And those who say no to all of the three criteria would certainly be an antagonist, someone who does not like their primary retailer.

Laura VanTine: Interesting. So why should retailers care so much if their shoppers are advocates or not?

Maureen Stancik Boyce: Well, the key reason truly is financial. Advocates are more valuable customers. Our survey showed that on average an advocate’s share of wallet is actually 33% higher than the antagonist. So they spend a lot more money, advocates spend a lot more money with their primary retailer than do antagonists. Advocates’ basket size is also greater. So they spend 30% more dollars with their primary retailer than do the antagonists. And then finally, advocates are spending more over time. 65% of advocates have increased the amount they are purchasing over the past 2 years. And conversely, very few advocates have decreased their spending over time with their primary retailer, only 4%. The number is higher for antagonists at 6%.

So, in summary, advocates are more valuable because they spend a greater percent of their money online and they spend more than other customers, than the antagonists and the apathetics, and they are increasing their spend over time. So the fact that they spend more and are more loyal — so they stay with their primary retailer longer — really their customer lifetime value is much higher than the average customer.

Laura VanTine: Since advocates are so valuable, do you have any insights into how retailers can build more advocates? For instance, can you explain what are the factors that drive advocacy and what maybe are the key areas that are so important to advocates?

Maureen Stancik Boyce: Sure, because that is actually an important part of our survey, that we wanted to understand these factors. What we found out is that advocates really find convenience, customer service, and the “store” experience very important for online retailers. So let me explain a little bit more. What we did is we asked survey respondents how they feel their primary retailer is doing on a list of statements that we call attributes. So different parts of the shopping experience. We had a list of 15 things, and we asked the survey respondents does your primary retailer do this well.
The list of 15 were bucketed into different areas. And what we did then is analysis on what advocates were saying versus the apathetics versus the antagonists. And we found that advocates largely agree that their stores are doing things well. It was in that 80-90 percentile that they agreed these attributes were done well by their primary retailer. Conversely, the antagonist and apathetics were much lower.

Only 20-30, maybe a couple situations, 40% of the antagonists were saying, yes, my retailer does this well. But what was interesting is that the rank ordering for the things that most people agreed well, were in the same order, advocates and antagonists. So they said these are the most important attributes, it’s just that the antagonists are not getting them from their primary retailers. So what we found was the absolute top rated attribute was, ‘my online retailer makes it easy to shop’. So that is bucketed into convenience. So that’s an attribute that really is related to convenience.

The second highest rated attribute was, ‘I’m happy with the service I receive from online store employees’. So even though a consumer is not in the store, the customer service, when they need help they want to be able to get the help. The consumer wants the help from somebody at the store. Customer service is second in importance.

And then third, we found the statement ‘it was pleasant and enjoyable to shop at this online retailer’. That was the attribute rated third most important. You know, it’s strange, but it does have to do with store experience. So even though the consumer is not physically in the store, the store experience, the shopping experience is very important even for the online retailer.

So again, to summarize. The top three attributes in driving advocates – driving advocacy for online retailer was convenience, customer service, and store experience.

**Laura VanTine:** So what should retailers do now? Can you give us some advice on how retailers can turn their customers into advocates?

**Maureen Stancik Boyce:** Yes. And that is really the purpose of the study, so that IBM can help our retail clients understand how to gain more advocates and do better financially. So what we found to be successful is that truly a retailer needs to take an outside-in perspective. They need to understand what their consumers need, what is most important to them, and then build the business around them, around what the customers want.

They need to be thinking about a strategic roadmap that has the customer’s priorities in the very center of it. And they need to use the customer insights in building every aspect of the business, operationalizing it into the business.

So there needs to be a customer focused strategy. And that strategy needs to be dynamic and based on the customer information that is constantly evolving. As customer needs and wants evolve, the information needs to be updated and built into the strategy. So a customer centric strategy is key.

And then what we want our retailers to do is look at what operational capabilities are most important in that category. So for online we found out it was convenience, customer service, and store experience. So we need to think about what operational capabilities are needed for convenience. So examples would be a Web site that’s well-designed and can
be personalized, for customer service it needs to have a great Web and call center operations so that the two are very integrated. So what are the operational capabilities. And then of course you need to look at where the retailer is now and what they need to do to go forward.

You know every retailer is not at the same place, so a strategy can’t be one size fits all. But we, IBM, can work with our retailers to say here’s where you are today, here’s what’s most important to your customers, here’s the biggest gap, and this is what we should prioritize moving forward. Here is the small steps that we can get positive ROI on in the short-term and then build more advocates and get better financial results.

And I would just like to point out that in our data, since we have 2,500 U.S. consumers, there is information specifically to quite a few number of retailers that our clients and our client reps could use to get detailed information about their specific company. And I would encourage folks to think about using that.

Laura VanTine: Great. Thank you so much, Maureen. We really appreciate your time and valuable insight. For those who would like to get more information on the study “Why Advocacy Matters To Online Retailers”, please visit the IBM retail site IBM.com/retail. Thank you.

Maureen Stancik Boyce: Thanks.