

# MEASURING LOYALTY

by David A. Widmar and Michael Gunderson

A classic example of loyalty is **George Clooney's** character, **Ryan Bingham**, from the 2009 movie "Up in the Air." A debonair businessman whose job requires frequent travel, Bingham made it his personal goal to join his airline's coveted 10-million mile club. Bingham flew his carrier exclusively and, when questioned, even commented, "There is nothing cheap about loyalty."

Agriculture is no stranger to loyal customers. Farmers have strong opinions about the color of their equipment and make of their pickup. Agribusiness companies try to build farmer loyalty with hats, jackets and discounts. There is no doubt that loyalty is important.

## THE LOYALTY LADDER

The "Loyalty Ladder," published by **Das Narayandas** (2005) in *Harvard Business Review*, provides a structure for thinking about customer loyalty.

At the ladder's lowest level, your customers want to grow their existing relationship with you. They would buy your product in the future and, if possible, would buy even more. Ideally, all of your current customers would be at this level.

The next level is that the customer endorses your product. Have you ever thought about how your customer talks about your products with other farmers or potential customers? Are your corn hybrids fantastic, OK, or "blah?"

The third level asks a more difficult question about loyalty: do your customers resist competitors'

blandishments? Supporting your product or service to a neighboring farmer is one thing, but what happens when your competition knocks on their door and tells them they are a top producer and deserve a top-yielding hybrid that only the competitor can offer?

The exciting, bigger-money parts of the ladder come at the top half. The fourth level considers whether your customers are willing to pay a premium. Like Clooney's character, do your customers buy your product and services even though they might be able to buy it elsewhere for less? Maybe you and your competitor both retail the same herbicide. A customer who is willing to pay a premium knows that what you offer goes beyond the actual product.

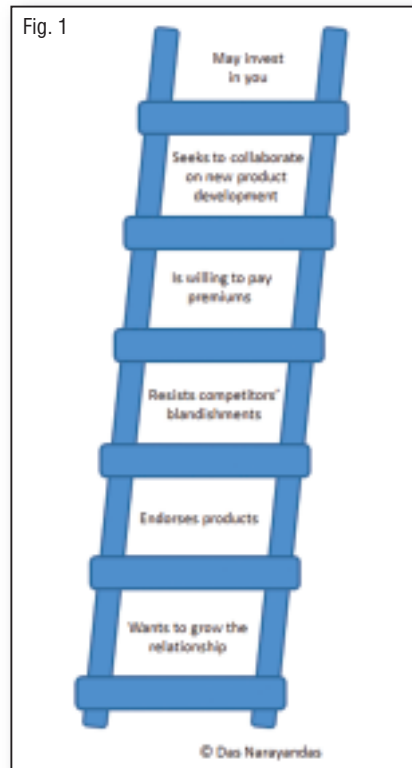
At the fifth level, customers are willing to collaborate with you on a new offering. They may be willing to plant your trial hybrids so you can evaluate their performance at the field level.

Finally, and most coveted, is a customer so loyal to your company that they are willing to invest in you. Maybe you're an ag equipment dealership trying to generate funding to build an additional location or a grain cooperative looking for investors to build a soybean processing facility. Would your customers be willing to invest?

## YOUR CUSTOMERS

Consider how the loyalty ladder applies strategically to your company. You might conduct a customer survey or ask your salespeople to categorize each of their clients. This way, you can begin to think about company-wide programs or initiatives that will move your customers up and along the ladder.

Next, think about the ladder from a tactical standpoint. Use this tool to evaluate how vulnerable a particular customer might be to "switching" sides. Think about how you can improve your relationship with that



The loyalty ladder

client to build more trust and move them up the ladder. A salesperson's job is much easier as customers become more loyal.

With the loyalty ladder framework in mind, the **Center for Food and Agricultural Business at Purdue University** is currently conducting its Large Commercial Producer Survey. Results from the survey provide insight about producer loyalty for different products and companies. Survey results will be unveiled and discussed in-depth at the **2013 National Conference for Agribusiness**, held Nov. 4-5, on the Purdue University campus. To learn more or register, visit: [www.agecon.purdue.edu/cab/programs/nca](http://www.agecon.purdue.edu/cab/programs/nca). **AM**

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