B2B Loyalty is not an Oxymoron

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It was not a pretty sight when he dropped his pants.

I had run across a pack of "Rolex Riders." For those not acquainted with biker culture, Rolex Riders are well-to-do middle aged men who indulge in outlaw biker fantasy worlds on the weekend. They don leather jackets, stride well polished and showroom-new Harley Davidson motorcycles, and cruse around the countryside menacing nobody.

I struck up a conversation with this group of businessmen cum bikers, which drifted into a discussion of brand loyalty. I made the tragic mistake of saying "Brand religion is when you tattoo a company's logo to your butt. . . ."

A Rolex Rider in a red bandana (I think he was a CPA by trade) sat straight up, smiled a huge and slightly evil smile, and then jumped up on our picnic table. He dropped his pants to reveal a Harley Davidson logo tattooed onto his overly wide middle aged posterior.

Why loyalty is important

To say our leather-unclad CPA was loyal to Harley Davidson would be a gross (emphasis on "gross") understatement. I fear if he had been forced to choose between his Harley and his wife, she would have to find her own way home.

Loyalty is the holy grail in marketing. If a company can engender loyalty behavior – and it is a behavior – in their customers and markets, then business will be good. Summarized, brand loyalists tend to:

- Spend more money on you than the casual customer.
- Be much less likely to defect when you make a mistake.
- Be more likely to recommend, advocate, and even preach about your products.

As one executive put it, "It is difficult to get on our partner list, but it is difficult to get off it as well."

The functions of loyalty are well known in the B2C markets, where manipulating consumers is standard practice. But can loyalty be created in business executives and, worse yet, technology buyers? Sure, you can engender loyalty in your marriage partner, for your favorite sports team, or even for a consumer electronics brand. But can you create loyalty in an executive for a line of datacenter networking switches?

Not only can you, it may well be necessary for survival.

Silicon Strategies Marketing has launched a long-term study of loyalty patterns in Chief Information Officers (CIOs) to better understand how loyalty behaviors work in B2B markets. CIOs are an interesting case as they must balance ever-changing technology (which means ever-changing opportunities to buy from different vendors), real-world costs and ROI, and the needs of their employers and subordinates. But since CIOs wield tremendous influence over vendor selection, they can also be influenced by brand loyalty.

What, me loyal?

So, just what is loyalty, and how is it different with B2B buyers?

The dictionary is a good place to start. According to a couple of different dictionaries, we see that loyalty is:

> A *feeling* or attitude of devoted attachment and affection.
> *Feelings* of allegiance.

What is most interesting is that all of the definitions we encountered used the word "feeling" to describe loyalty. So our first revelation is that logic plays an insignificant role in molding loyalty behaviors. We can start defining B2B loyalty as an emotional state in the buyer's mind. The conundrum is that businesses are not emotional creatures, and are supposed to behave as rational organizations.

But all organizations are composed of people, and people are emotional creatures. And in business organizations, some of the these emotional creatures have budgets. Developing feelings of loyalty with individuals who have budgets is the essence of B2B loyalty building.

Satisfied but disloyal

The good folks at Loyalty Builders make the distinction between "satisfaction" and "loyalty." They sayeth:

> Customer satisfaction is a reflection of past experience; it is an attitudinal measure strongly related to a customer's last transaction.

Customer loyalty is about future expectations. It is a behavioral construct that measures intent to repurchase.

The distinction is between transactions and relationships. In the absence of a relationship, every business event is a transaction – the mere swapping of cash for goods or services. We can easily make satisfied customers who are content with their past transactions, but it is a different matter to create loyalty that will encourage and automatically perpetuate future transactions.

Relationships are elaborate. As many wiser people than I have noted, "every relationship is based on trust." Trust comes in many flavors and sizes, but without some measure of trust there can be no relationship, and thus no loyalty.

Which brings us to brands. A marketing guru once said, "A brand is a promise kept," which is a fancy way of saying if your company promised some sort of value, and you delivered, then your brand is believed, which encourages repeat buying. Why is repeat buying encouraged?

Because you kept your promise and can be trusted. Herein lies the basis for B2B relationships, and the foundation of B2B loyalty behaviors.

Beyond trust – why are people loyal?

So what makes people crazy loyal about anything, like our Harley-tattooed CPA?

Our first clue was in the dictionary definitions. They need to feel something. These feelings can be negative or positive. Negative feelings can be used to keep people in bad marriages. Technology lock-in and fears around the cost of switching vendors once kept CIOs from defecting.

However, our experience at Silicon Strategies Marketing clearly shows that negative motivators can be defeated when your competitors exploit positive emotions. We also believe that the opposite – overcoming positive emotions with negative ones – is actually destructive. So, keep your efforts positive . . . OR ELSE!

People need reasons to be loyal. Positive feelings that drive loyalty behaviors are varied, but common and effective ones include:

> **Community** – belonging to a group with similar beliefs, goals, needs or objectives (a la Linux)
>
> **Trust** – allowing a dependant relationship to develop because you know the other party will likewise commit (a la IBM)
>
> **Status** – glory by association (a la Mercedes)

One common theme spreads throughout all positive loyalty motivators: They are all voluntary. People develop loyalty because they want to, because there is a benefit to being loyal that has nothing to do with the product itself.

This last point is hard for technology companies to swallow. So much of the technology universe is based on the myopic “features and functions” paradigm. Technologists create solutions that they know are cool, but they have to understand every nut and bolt in the product to make it work. And they have to compare their products with competing solutions. So tech companies naturally drift into comparing their nuts with competitor bolts.

In other words, they compare products on a transactional basis, which does nothing to build a relationship, which in turn builds no loyalty.

But some technology companies have broken this mold. IBM resurrected themselves and perpetuated the “nobody ever got fired for buying IBM” myth. Apple is famous for generating brand loyalty for their computers and consumer electronics devices by being counter-establishment (“we’re not IBM”). And Hewlett Packard used to create the same visceral loyalty with IT gurus that Linux does today.

And none of this was done on a transactional basis.

B2B loyalty – knowing who can be loyal

The art in making B2B loyalty profitable is based heavily on who you turn into a loyalist. We'll use Information Technology (IT) as our example, but the same model applies to most B2B relationships.

Buying decisions in IT are – primarily – decided by three genotypes:

> **The IT executive:** This person owns all budgets, and thus is a great person to make loyal as they can influence or even override vendor decisions. In IT this would be the CIO, or sometimes the Chief Technology Officer (CTO).
>
> **The manager in the middle:** Middle managers own individual budgets, and are ultimately responsible for making wise investments, though these may exclude large-budget, strategic purchases.
>
> **The techie (worker bee):** This is the person who must live with the buy decision. Smart companies include them in the decision process whenever appropriate, to assure that purchased technology is actually used and thus there is some return on the investment.

Each genotype has a different set of motivators and demotivators. This means each will have different feelings that create (or destroy) loyalty.

Despite the opinions of their subordinates, executives do have feelings. They do exhibit loyalty behaviors. And they do cling to select vendors based on feelings of loyalty. Being able to attach to these existing feelings is key to developing executive loyalty.

CIO loyalty – preliminary findings

Silicon Strategies Marketing is conducting a long-term study of CIOs and what drives their loyalty. Though only in the early stages, the study is beginning to uncover some recurring themes in CIO loyalty, all with broader executive implications. The more important elements we have discovered include:

Vendors vs. partners: All CIOs expressed having a classification system to separate technology companies, most commonly expressed as "vendors" and "partners." The distinction is that "vendors" are purely transactional relationships, and "partners" are much more intimately involved in planning IT strategy with the customer.

Each vendor had to earn "partner" status by exploring the customer's business and recommending not just product and services, but complete solutions that make real-world differences regardless of relative profitability for the vendor. In other words, partners put skin into the game before worrying about making a buck. As one CIO said, "We'd take a bullet for a partner – our partners give us special pricing and other aid, and we reciprocate with public endorsements."

Hostages no longer negotiate: In the new commodity-driven, Open Source world, vendors can not hold customers hostage with technology lock-ins. And if they do, they cannot earn "partner" status. Said one CIO: "When I asked them to change terms, and they refused, I sent cancellation notices."

Flexibility from the customer perspective: Transactions are rigid and inflexible. You sell this, you charge that, and the customer can take it or leave it. Relationships are flexible, where partners adapt to the needs of the other. Vendors that are flexible and adopt to CIO's changing business needs earn loyalty: "These [partners] understand our changing circumstances. They also understand the pressures I'm under and work with us throughout."

Loyalty is reciprocal: One CIO noted that he builds loyalty with vendors by reciprocating intimacy. If a partner gets deeper into his business and learns more about his specific needs, he reciprocates by asking for deeper access into the vendor's company – and gets his staff on a first-name basis with vendor developers, product managers, and marketing people. This costs the CIO a lot in terms of team productivity, and gives vendors huge insights into market redefining needs, opportunities, messaging, etc.

Damaged relationships are (almost) never recoverable: Once a vendor breaks trust with a CIO, they are effectively blacklisted. There is no gray area. One CIO we interviewed was a major Cisco customer, and today would be spending over a million dollars a year with Cisco. But Cisco failed to deliver on a measly $75,000 VoIP system, and thus has never set foot back into that company again.

Open Source buys nothing: Despite Open Source being the centerpiece of most CIOs' datacenter strategies, being an Open Source focused vendor engenders no loyalty at all. "It's never about the technology – it's about the commitment to making our business run right." IBM is a major supporter of Open Source, but that doesn't create the strong loyalty they enjoy. "IBM is really about providing added value across the way, not just technology."

How, and not just what, we do: CIOs see when a vendor has true intimacy with their business. For example, everyone knows what retailers do – they sell stuff to people. But there are huge differences between how Sears and Amazon.com sell. This means vendors need to be business savvy as well as technology savvy. Vendors must see why technology is important on a case-by-case basis. "After a while, the vendor comes to us and tells us what will best help us next."

Money can buy loyalty

The hard choice is where to spend corporate dollars. Branding is a key to developing preference and loyalty, but so is developing an adaptable and business-savvy sales team. They key lies in who you want to be loyal, and how much of a commodity your products are.

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