

Customers Defect To Competition Even When Companies Perform Well

Contributed by TNS
Wednesday, 04 June 2014
Last Updated Wednesday, 04 June 2014

More than half of customers are likely to defect to a competitor brand when a product needs updating or their contract expires, according to a new study from global research consultancy TNS. Almost two thirds (60%) of customers are likely to defect to another brand when buying new electronic products; 57% would replace their car with a different brand; and 64% would opt for another manufacturer when selecting white goods like a washing machine.Â Â

According to TNSâ€™s global analysis of 40,000 customers, companies can no longer ensure loyalty and spend just by providing a reliable, consistent service. In fact, many of those who defected to a competitor actually felt their current provider was performing well.

Looking across the banking, utility and telecoms industries, TNS identified that more than 50% of companies are failing to translate good performance in terms of product and service delivery into customer preference for their brand. According to TNSâ€™s proprietary TRI*M tool, European mobile network providers were found to have the most notable “performance-preference gap”â€™. One fifth of customers rate their providerâ€™s performance highly but admit they still would not necessarily prefer them over competitors. Â

Companies that fail to address this gap are wasting millions of pounds trying to improve their individual performance in the eyes of customers, while failing to understand the risk posed by other providers, and more importantly, how attractive these competitors are to their customers.

Stefan Schmelcher, Global Head of Customer Experience at TNS, said: “Given the fierce competition in many markets, securing valuable customer relationships requires a deep understanding of what drives your customersâ€™ behaviour.

“The most successful businesses are able to translate whatâ€™s best about their performance into an active customer preference. They donâ€™t just invest in any service or promotion; they get smarter about the customer experiences that matter and deliver on the bottom line. Simply throwing resources at different touchpoints “ without understanding how to build a personalised service “ will only undermine long-term credibility.”

TNS found that customers with the strongest relationships to their providers are three times more likely to stay loyal, six times more likely to recommend the brand and five times more likely to buy additional products and services from the company.

Schmelcher continued: “In each case, companies need to uncover the optimal balance between what customers want and what delivers profitable growth for the business. The reality for todayâ€™s brands is that best isnâ€™t always right. The most successful companies permanently question their investment in different customer experiences. They know where they gain the most advantage and build their proposition around customers who love and advocate their brands. At TNS we call this the “Customer Code”â€™. Understanding the hierarchy of importance for customer needs, and questioning the level of investment in different experiences is the essential starting point for this.”