

Customer Loyalty in the Oilfield: Reputation



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Overview

In order to build and maintain customer loyalty, it is necessary to also build a strong reputation. A strong reputation is valuable because it provides you with market differentiation and a competitive advantage. This paper discusses the importance of company reputation in the oilfield industry and how you can utilize reputation ratings to build and maintain your brand equity.

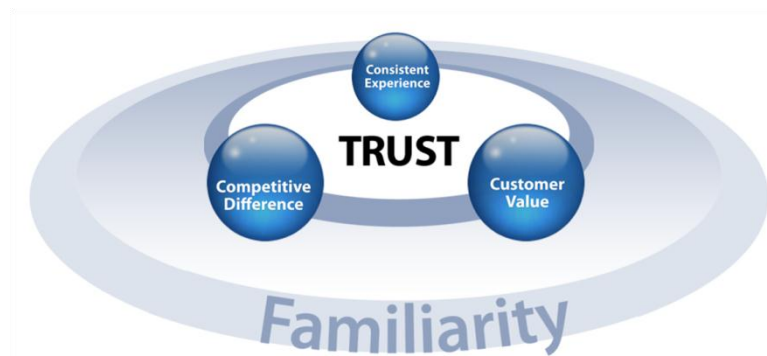
Why Reputation Matters

Reputation can be explained as the distinctive place your company occupies in consumers' minds, and it is how brands are distinguished. Building company reputation is necessary for attracting and retaining employees and customers. Reputation is also important in generating brand trust and driving price structure. A favorable reputation enables you to charge a price premium while maintaining high sales.

Many oilfield companies have public relations departments that work to manage their reputation. When a company is perceived to have done something wrong, it often hurts their reputation and requires careful management over a long period of time to regain their reputation. Managing your reputation becomes especially important during critical turning points, such as a company merger or developing a new product line.

Building Brand Equity

At Gelb, we measure brand equity using customer trust, familiarity, customer value, consistent experience, and competitive difference (see model below).

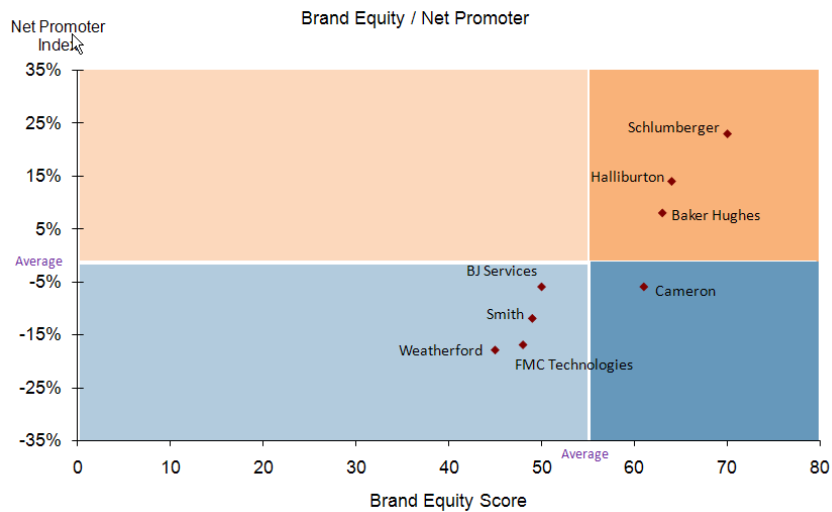


- **Familiarity** is defined as the awareness and knowledge targeted buyers have with your brand; it is based on experience with your brand
- **Customer value** is how options are evaluated and decisions are made; it drives your pricing structures
- **Competitive difference** is how brands are distinguished; it drives your **reputation**
- **Consistent experience** is how well your brand delivers on its promises; it drives your customer satisfaction

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In our Gulf Research oilfield brand equity studies, we have consistently found that brands with the highest brand equity scores, calculated according to our proprietary brand trust model, are highly correlated with customer loyalty.

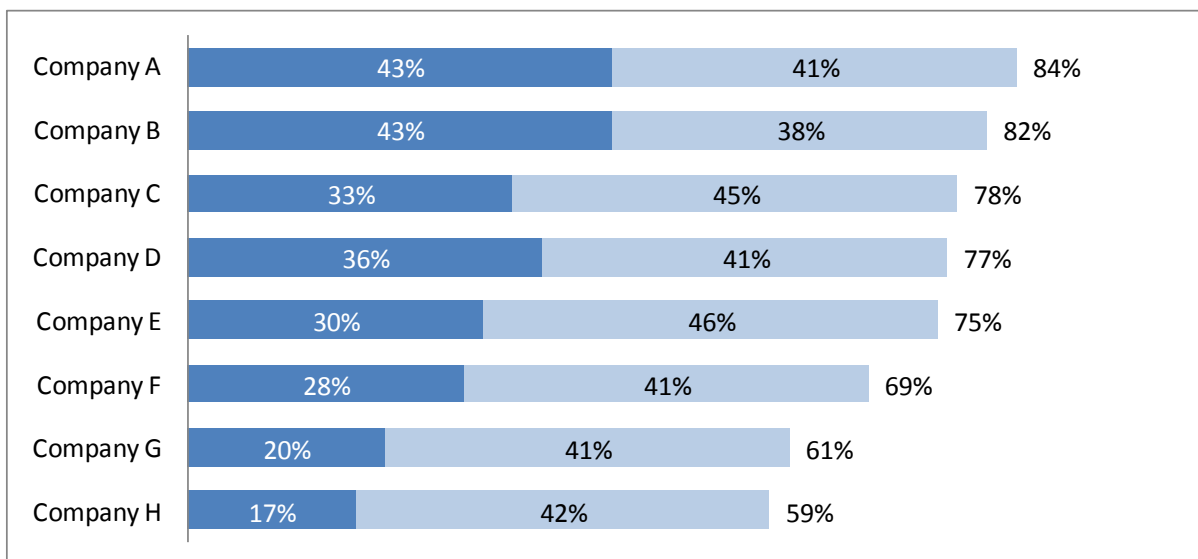
In this example, the Net Promoter Score is the result of subtracting those who will recommend you to others from those who chose not to (detractors). This chart highlights a positive relationship between customer trust and brand equity scores. Those organizations with the highest brand equity scores also have the largest numbers of customer advocates.



Measuring Reputation

Reputation is not what a company’s leaders perceive it to be, but what other key stakeholders (employees, customers, investors, competitors) perceive it to be. A negative reputation rarely changes without strategic management of internal and external communications. For this reason, it is necessary to measure and track reputation ratings.

In our Gulf Research oilfield brand equity studies, we measure company reputation as perceived by decision makers in the industry (see table below).



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Company reputation scores are measured on a scale of 1-5, with five being very favorable. The dark blue represents the percentage of respondents who chose '5' and the light blue represents the percentage of respondents who chose '4.'

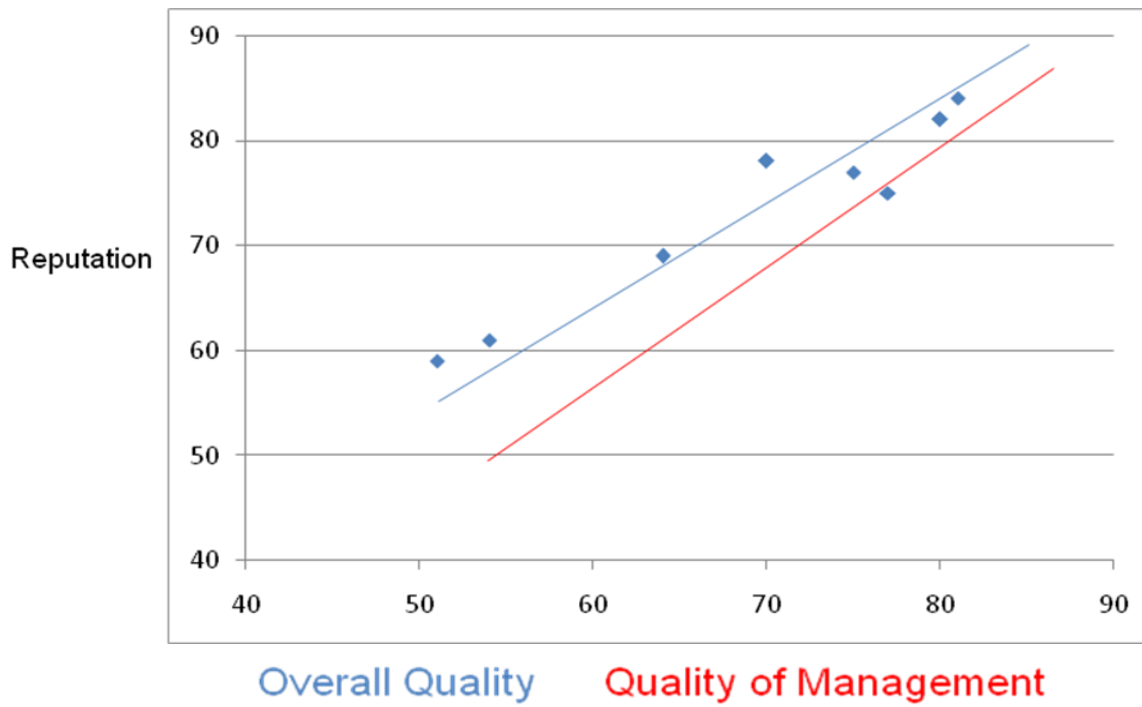
As evidenced by the chart below, reputation ratings are also correlated with likelihood to recommend (trust), which is reflected in the overall brand equity score.

Company	Reputation	Likelihood to Recommend	Brand Equity Score
Company A	84%	23%	70
Company B	82%	-6%	61
Company C	78%	8%	63
Company D	77%	14%	64
Company E	75%	-17%	48
Company F	69%	-12%	49
Company G	61%	-6%	50
Company H	59%	-18%	45

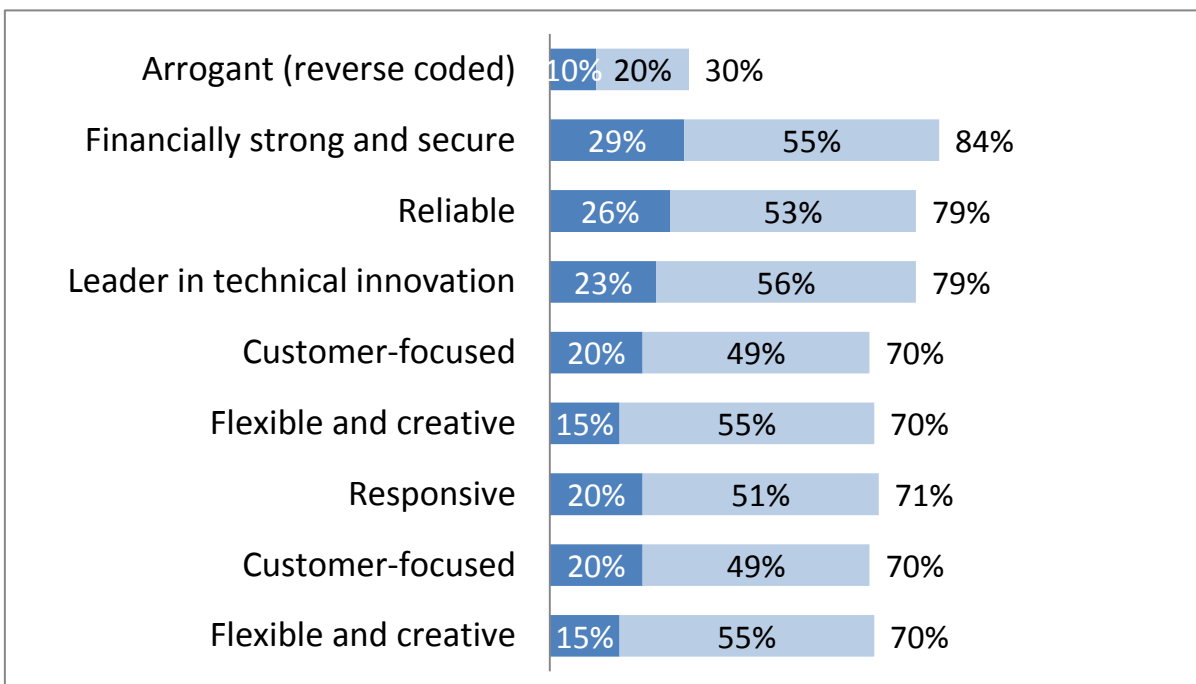
Reputation scores represent total percentage of respondents who chose '5' or '4' on a scale of 1-5, with 5 being 'very favorable.' Likelihood to recommend represents % of respondents who chose 9-10 minus percent of respondents who chose 0-6, when asked how likely they would be to recommend a company's products and services on a scale of 0-10, with 10 being very likely.

Brand equity leadership depends on building a reputation for quality and customer satisfaction. Perceived quality advances reputation ratings, which leads to a competitive difference. We have found that reputation scores rise with perceived overall quality of products; management quality scores show a similar correlation (see chart below).

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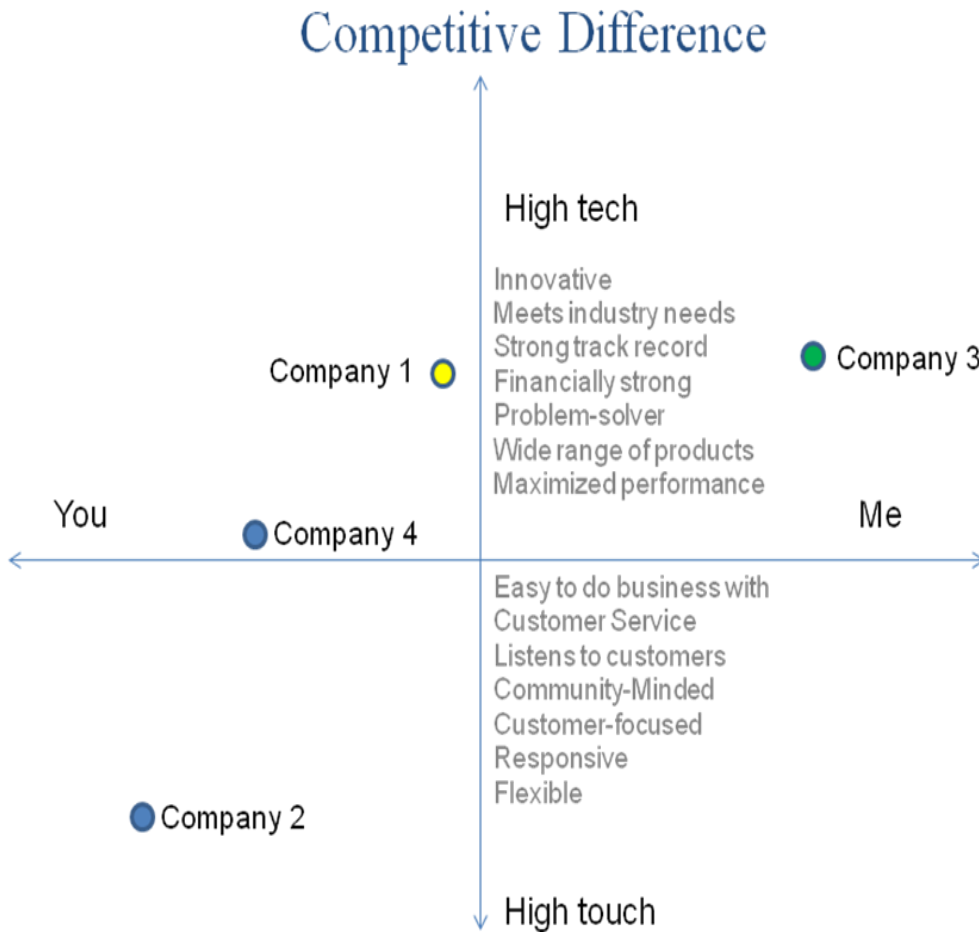
The chart below indicates variables that influence reputation ratings.



Establishing an emotional connection with customers creates affinity for your brand and builds a positive reputation and higher perceived quality. This highlights the importance of

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positioning oneself as both high tech and high touch. The chart below is an example of how a company can rate its performance in both of these areas and determine which are needs improvement.



Taking Action

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The implication for oilfield marketers clear is - a strong reputation is essential to building brand equity. For this reason, it is necessary to create a positioning statement that distinguishes your brand from other brands; this then has to be communicated to your customers. Your perceived reputation should be measured against competitors, and company leaders should strategically improve reputation through messaging and brand positioning.

Example of a positioning statement:

Armed with the insights for your specific brand, you can better organize your brand strategy to improve brand reputation. As shown in the table below, brand research measures translate into strategic guidance from market segmentation to brand promise development.

Brand Equity Element	Familiarity	Customer Value	Competitive Difference	Consistent Experience	Trust
Description	The level of awareness and knowledge the target has about the brand	How options are evaluated and decisions are made	How brands are distinguished	How well the brand delivers its promise	Strength of the relationship with the brand
Research Metrics	Experience with the brand	Tendency to pay price premium or discount	Reputation	Satisfaction	Likelihood to recommend the brand
Strategic Outputs	Market Segmentation	The perceived costs and benefits of the brand relationship	The distinctive place you occupy in consumers' minds	The ways in which brand touchpoints deliver the promise	The essence of the brand that drives confidence in it
Brand Guidance	High priority segments	Value proposition	Positioning statement	Service standards	Brand promise

However, this is not a prescription for all oilfield product and service companies to offer the exact same benefits. In fact, an effective brand will occupy a unique space in customers' minds.

As illustrated below, there are few companies who can claim to have top scores in each of the brand equity measures. Measuring your brand equity will give you insight to strong areas and areas for improvement.

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Metric	Company Index	Average of 8 Brands
Familiarity	89	93
Price Premium Index	35	35
Reputation	61	73
Satisfaction	72	73
Brand Equity Score	50	56

About Endeavor

Endeavor Management, is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm’s 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor’s clients span the globe and are typically leaders in their industry.

Gelb Consulting Group, a wholly owned subsidiary, monitors organizational performance and designs winning marketing strategies. Gelb helps organizations focus their marketing initiatives by fully understanding customer needs through proven strategic frameworks to guide marketing strategies, build trusted brands, deliver exceptional experiences and launch new products.

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