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Share of Wallet in Loyalty Research: Issues and a Methodology to Address Them

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ABSTRACT

In a competitive market environment, share of wallet is a key measure for customer relationship management. Share of wallet analysis enables the firm to be more proactive in their ability to target customers to increase additional spending. Although share of wallet is important as a measure of customer loyalty, there is a dearth of research which focuses on share of wallet per se. In this paper, we briefly review the share of wallet literature in the context of its value to loyalty researchers. We illustrate some issues regarding share of wallet in identifying loyalty and then discuss the development of a methodology to alleviate the issues by introducing an adjusted share of wallet approach, “Share of Wallet Index” (SOWI). SOWI is calculated by multiplying by the square root of the percent that each customer is above and below the median spend in the category times the raw share of wallet measure.

The SOWI approach offers a useful tradeoff between modeling total dollars and modeling raw share of wallet by taking into account both category spend and category share. It also contributes to the literature on customer relationship management and loyalty and advances the empirical analysis on the customer loyalty behavior. This research provides several managerial implications. First, this share of wallet index may help firms to identify additional revenue opportunities when more effort is used with specific customers. Second, firms can understand their relative competitive positions in the market place. We discuss limitations and future research opportunities.

ABOUT THE AUTHORS

Dr. Arthur W. Allaway is Nelems Professor of Marketing at the University of Alabama. He earned his Ph.D. in Marketing from the University of Texas at Austin. His research focuses on New Product Development, Business-to-Business Marketing, Spatial Diffusion and Market Area Analysis. He has been published numerous academic journals including *Journal of Marketing*, *Journal of Retailing*, *Journal of Business Research*, *Growth and Change*, *Economic Geography*,

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