Recognizing the tough battle for businesses to understand the value of customer loyalty and how to win their share of wallet, Ipsos Loyalty is declaring the Wallet Allocation Rule to be the next big breakthrough in understanding consumer thinking.

Ipsos Loyalty’s Timothy Keiningham, global chief strategy officer and executive vice president, and Alex Buoye, vice president of analytics, working with a team of academics, developed the Wallet Allocation Rule, a new research tool designed to help businesses—including retail banks—better map out their share of consumer spending.

“A key component of the Wallet Allocation Rule is that customer loyalty doesn’t always pay as it should. Businesses used to think, ‘The customer is always right.’ But what is truer is that it is the customer’s wallet that’s always right,” says Keiningham of the thinking behind the new Wallet Allocation Rule model. “Backed by our extensive research utilizing thousands of samples and numerous real-world situations, our Wallet Allocation Rule model shows that what matters most is how well a company ranks in comparison to its rivals.”

The Wallet Allocation Rule model was developed by way of a research and development effort between Ipsos Loyalty and leading academics, validated across more than a dozen different business sectors and product categories. The Wallet Allocation Rule was developed over a two-year period studying the purchasing habits among 17,000 consumers in more than a dozen industries. In essence, the Wallet Allocation Rule uses customer rankings of brands to predict the percentage—or share—of spending a company will capture in its segment.

By using the Wallet Allocation Rule, businesses will be able to link their customer survey data with the share of wallet that their customers allocate to their firm and to their competitors. As a result, managers will be able to clearly identify what it takes to drive share, the most important metric in driving growth. With the Wallet Allocation Rule, investments can be prioritized based upon the real impact that they will have on changes in customers’ spending with a product, service, or brand, thereby insuring maximum return.

An in-depth article on the Wallet Allocation Rule appears in the October 2011 issue of the Harvard Business Review. The article was coauthored by Keiningham and Buoye together with Lerzan Aksoy, Professor of Marketing at Fordham University, and Bruce Cooil, Professor of Management at Vanderbilt University, the academic team involved in the development of the Wallet Allocation Rule.

“Customers may be very satisfied with your brand and happily recommend it to others—but if they like your competitors just as much (or more), you’re losing sales,” Keiningham and his coauthors write. “Making changes to increase satisfaction won’t necessarily help.”