ICLP
Leaders in Loyalty

Insights Report:
Retail Bulletin Customer
Loyalty Conference 2013

Introduction

The 4th annual Retail Bulletin Customer Loyalty conference took place recently in London featuring insights from many leading retailers, loyalty and CRM specialists on how to drive profits and customer retention through cost-effective and engaging loyalty strategies.

With many interesting and diverse topics discussed throughout the day, this report offers some insightful commentary around the more compelling themes and presentations.

Maximising the value of data

Gathering actionable insights from customer data informs the strategic direction across the whole organisation

The growth and importance of delivering a more targeted and tailored marketing strategy should place customer data and insight firmly at the forefront of any organisation.

Consumers increasingly understand and appreciate the value of their own data and the value of their information to an organisation. This therefore increases the pressure on brands to recognise individual needs and the expectation to treat customers accordingly. Many are displaying signs of wanting to take back control of their data especially when the customer has not perceived a demonstrable value exchange after entrusting a brand with this intelligence. Brands need to respect the data they have access to and use it wisely to treat their customers as individuals and utilise this as the basis of an ongoing relationship to build longer term commitment and advocacy.

Gathering actionable insights from customer data informs the strategic direction not just of marketing, but product development, new business development and customer services. Identifying the unique essence of a customer through their individual profile allows a brand to create a personal, relevant and 1 to 1, two-way relationship, whether that is through customer service, communication, product and service or reward and recognition.

Whilst CRM and campaign management tools are invaluable in bringing together customer data into distinct profiles, they can only act as air traffic control; they give an organisation the required analysis and results, but it is the expertise of the people within that organisation who can interpret this insight to align marketing and business objectives, then use it to underpin the longer term strategic direction. Continually evaluating the strengths of in-house skills and looking at how this can be complemented with third party data specialists will maximise the opportunity of what can be achieved today and underpin the data strategy of tomorrow.

Boots Advantage Card is one of the most established loyalty programmes in the UK. The data gathered from their 17.9 million active members is a core asset for the entire organisation. With 68% of sales coming from Advantage Card members, Boots are able to use this transactional and purchase behaviour data in conjunction with other customer preferences and interaction data, to power key commercial decisions – including that of product development. In recent years, the core direction of the No.7 cosmetics range development was driven purely by Advantage Card data. As a result this year they launched a world first foundation matching service.

Opportunity to create true customer value

Understand each segment to target individual customers across multiple touch points

When brands create true value for the customer this sends out a hugely powerful message and helps to keep them engaged and loyal. Truly understanding who your customers are and treating them accordingly is becoming vital in this data centric age. Whilst the idealistic end goal for a brand is to design and deliver individualised 1 to 1 customer value propositions, in reality it often starts with establishing more sophisticated messaging and communications.

Combining this with data analysis, and using more advanced RFM/RFV modelling allows for the creation of a unique set of customer value propositions relative to an organisation – that are relevant, personal and flexible for each advanced customer segment.

By understanding each segment, individual customers can then be targeted across multiple touch points – marketing, sales or customer services. Within these segments there may be differing customer tiers, giving brands the opportunity to drive growth, drive aspiration and improve retention, whilst maintaining a consistent brand experience.

Costa Coffee use RFM modelling to understand their customers, utilising the data their loyalty programme offers, which allows them to understand and define key customer segments based on more than just transactions. The recency, frequency and monetary value of a Costa customer is analysed allowing them to identify their VIP customers. Intelligently, this is not based solely on total spend because in reality this could be a one-off purchase, the top value segments are identified where there is consistent and frequent higher spend and frequency of visits – they can then target them in a different 'exclusive' way to stimulate a longer term brand relationship.

Understand customer paths to purchase

It is important to see the customer journey and the paths to purchase through the eyes of the customer. The average retail customer may purchase or browse products or services across many channels: online, on a mobile website or app, on a tablet device, via social media, in a physical catalogue or in-store – so how can brands add value to a customer's fragmented use of interaction and transaction channels?

It is essential to join up the multi-channel experience for the customer, they are then able to start and continue their journey across multiple touch points, with a consistent brand experience. Whilst it is critical for a brand to understand the ways in which their customers interact and absorb information, it is just as important to give staff access to relevant information in order to add value to the customer experience. Staff can help take ownership and responsibility for a consistent brand experience because they know the customer's history of engagement and the content and information which has been consumed in order to get them to the point of purchase. This in turn allows the staff to support and aid them in an informed and relevant manner.

Carphone Warehouse is developing a true omnichannel experience, to create this seamless customer interaction, it has integrated the website, mobile app and in store experience. A customer can browse a phone/network package in the comfort of their home on the website or mobile app, and then as many customers do with a mobile phone purchase, they continue this journey in-store. The in-store advisors use their tablet device and the customer's unique reference number to access the customer's basket and browsing history, which provides them with cues on the products and deals of interest based on previous interactions. Even their printed brochures have unique QR codes for each phone so that a customer can choose to either bring the physical brochure into the store and find out more or use the QR code to continue browsing and investigate packages on the web or mobile app. This approach is truly putting the customer in control of how and when they consume information from Carphone Warehouse and enables them to deliver a consistent and continual experience for the customer.

Loyalty is owned by the whole organisation

From board down, everyone must understand the importance of loyalty

It is crucial that brands understand the importance of the whole organisation buying into the loyalty vision. From board down, everyone must believe in and understand the importance of loyalty. Value can be added to the customer experience when employees understand the organisational loyalty goals, employees are a key asset in creating long term brand advocacy amongst customers.

At all levels of an organisation it is important for employees to be involved in the day-to-day operational customer experiences. Actionable data insight can be leveraged across the organisation to drive strategy change beyond the marketing department.

Carphone Warehouse gives in-store colleagues the opportunity to log interactions and feedback from customers on their tablets in exchange for rewards and recognition. This forms part of a wider performance management and e-learning programme, with individual performance reviews and competition across their retail stores. With this additional stream of data being generated from the ground up, the loyalty starts to become a responsibility of staff across the organisation.

The quality of the people experience is one of the most important elements for a retailer in building long term loyalty and brand advocacy. In-store employees are often on the front line getting direct feedback from customers and finding out what they think of their shopping experience. Logging this data by customer, store, date and time gives the organisation invaluable insight to complement their other sources of data.

Lasting loyalty through customer dialogue

*Monitoring &
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interaction*

Nurturing a relationship in the most appropriate way is crucial, and if the customer allows, it is important to keep the relationship meaningful for both parties and a two-way interaction. The growth of social media usage has emphasised and amplified the control a consumer has over their relationship with a retailer. By their very nature social channels are a more public forum to offer feedback and communicate. Social media is fast becoming a core element of a retailer's customer experience. By monitoring and listening, a brand can generate two-way quality interaction, maintaining an influence over the public conversation in a way that the more discreet traditional channels such as email and call centre is unable to do.

Since launch Groupon has evolved and transitioned from using social media as solely a marketing communication channel to additionally using it as a reputation management tool and customer services channel.

Social channels can also be used to enhance a customer-brand relationship by enabling a superior customer service experience. US department store Neiman Marcus has seen success using their mobile app functionality allowing a customer to connect directly with an available customer services associate. A personal appointment can be made through the app and products scanned to build a wishlist to discuss with the in-store associate. On entering the store the customer is recognised by the associate, from their customer photo in the app, this simple application gives them the friendly and personalised experience they expect when they arrive in-store.

Costa Coffee capture customer feedback in-store, online and more recently through social channels. Prior to this they had traditionally run mystery shopping programmes; these have now been made defunct by the amount of feedback gathered from other sources. Linking this intelligence, Costa use triggered messages to their loyalty card members to ask for feedback based on store visits; this has resulted in a huge uplift in the amount of feedback gathered. Costa has estimated it would take them nearly 100 years of mystery shopping to gather the same volume of detailed feedback!

Relevant 1 to 1 communications

Whilst data driven marketing and customer experience are core areas of focus for today's loyalty marketer, the traditional mantra of right person, right message at right time still needs to underpin all communications strategies.

Maximising the customer relationship from the very beginning of their relationship with a brand is key – therefore a clear "welcome" programme is critical. When a member signs up to a retail loyalty programme, they should become part of a structured welcome programme, ideally triggered, based on their sign up date. Following this, key dates or actions within their initial few months as a member need to be acknowledged and acted upon, this honeymoon period is crucial in setting a customer's expectations of the brand. The communication journey needs to be based on the individual journey of each member, with relevant, targeted messaging and content based on their transactions, interactions and customer segment.

Club Carlson[SM], the loyalty programme of the Carlson Rezidor Hotel Group last year launched an email statement following a communications audit which highlighted a requirement for more relevant communications depending on member behaviour and preferences. Following this research, a highly dynamic email template was developed which facilitated personal and targeted content at a member level. Members now have access to a snapshot of their membership status, account details and tier progress. The content is highly targeted presenting a variety of offers and news stories driven by their country of residence, stay data, behaviour and member tier. The shift, with more relevant personalised and measurable communications within the channel allowed them to increase engagement rates by a third and drive incremental revenue, with an ROI measurement of 4:1 in their first e-statement alone.

Identify key moments of truth to create value with every transaction and interaction

With the big data versus small data debate raging on, there are key benefits of both. Somewhere in the middle sits the data insight gathered from customer experience and interactions and utilising this to target customers on a more tactical level:

• Welcome programmes – triggered relevant programme to introduce the new member to your brand, it is essential not to group them into the standard ongoing marketing communications.

• Lapsed/reactivation campaigns – in segments where the transactional data is dwindling or the engagement metrics from previous communications is in decline run a 'come back' campaign to these members.

• Personalised content – relevant messaging, imagery and propositions based on geographic/demographics of the member base. This can be as simple as gender or regional splits, to more advanced persona or postcode targeting.

• Consider introducing a communications preference centre to allow the customer to control the frequency and preferred channel of communication.

UK fashion retailer M&Co. is able to tailor their messaging for optimum results based on the geography of their members. If members live within a specific geographical area of one of their stores, they will target specific messaging and any relevant promotions to drive in-store footfall. If outside of a store catchment area, they will tailor their approach with the website messaging to drive visits and highlight relevant promotions for their online store.

It is important to identify key moments of truth in loyalty to create value with every transaction and interaction, which gives additional insight every time a customer browses or purchases. Either ask members their preferences or measure this with their interactions – does a member want to be communicated to by email, IM, SMS, telephone or post – and how frequently?

In terms of messaging frequency, Costa Coffee take into account that they offer a simple cup of coffee in someone's life and is respectful of this when planning the frequency of their communications. They are also wary of promotional junkies in their database; when they see certain trends in behaviour e.g. customers who only shop when they receive an offer or promotion, the messaging and content is changed to try and activate different behaviours.

Tailored, flexible and easy-to-use rewards

Give customers something which will be valued by them

When developing a profitable, loyal customer relationship it is important to give customers something which will be valued by them. Statistics from Visa's data insights team show there are £5.2 billion unspent points or rewards in the UK. This is a huge missed opportunity for retailers because these unclaimed points sit on the balance sheet as a liability. To improve the loyalty experience it is critical for a brand to review and evaluate their redemption strategy to ensure perceived value is gained by customers from earning points and to subsequently understand the reasons for not redeeming:

• Is it too difficult or does it take too long to build up points in the programme?

• Are members not given sufficient choice and flexibility in redeeming their points for rewards?

• Do customers forget they have points to redeem and could more be done to promote the status of their balance and the rewards available?

• Are there ways in which customers can redeem restrictive?

Research commissioned by ICLP in association with Forrester Consulting substantiates this view and highlights that brands are under-delivering in some of these areas. 82% of UK consumers indicated that having rewards they could use when they want was important to them but only 62% think that brands perform well revealing a gap or 'loyalty chasm' of 25%. The largest gap identified in the UK is a failure of brands to instantly reward customers with discounts and savings; 75% of consumers indicated this was important but only 50% thought that brands were meeting expectations in providing more instant rewards.

> Gourmet Burger Kitchen recognise one of their core target audience sectors is teenagers/young adults and reward their loyalty with instant rewards when gaming challenges are completed. They ensure that their rewards process is tailored and relevant to their key demographic because the challenges are in the format of online and mobile app games, with the relevant rewards being instant discounts and free in-store items.
>
> Tesco Clubcard has built upon their rewards offering over recent years to allow for multiple options, choices and flexibility – whether it is as simple as money off a weekly food shop, family days out or vouchers towards consumer electronics.

Looking at longer term brand advocacy and customer relationships, the 'surprise and delight' emotive drivers of unexpected rewards for members really stand out in a consumers mind, this has the potential to drive advocacy beyond the formulaic interaction of doing something to receive something.

> Zappos.com, the online apparel shop has built itself on a culture of providing the ultimate customer experience, and going above and beyond the call of duty. The company's commitment to staff empowerment delivers random acts of kindness to surprise and delight customers in equal measures. Zappos are the masters at customer experience and service, showing how to drive customer loyalty without a formal rewards programme. Simple gestures such as expediting next day delivery to a customer's order when it wasn't expected.

Brands utilising this kind of strategy, usually target their top spending and most loyal customer segments, position these type of rewards as gifts or a thank you and have shown a proven uplift in future spend as well as brand advocacy.

Utilise media and PR opportunities

Amplify media and PR opportunities to reinforce positive customer sentiment. Brand loyalty can also be linked with social change – brands can be perceived as an innovator, collaborator, value driver and change maker.

The Charities Aid Foundation has worked with many retailers to build brand advocacy through charity partnerships, as a strategic method to deliver on retailers' corporate social responsibility. These partnerships offer shared values, open dialogue and infinite natural evolution such as:

• B&Q and the Scout Association

• Boots and MacMillan Cancer Support

• Pret a Manger - multiple homeless charities

• Sainsbury's – local charity scheme building brand equity through local community

Importance of measurement

Measure customer interactions as a predictor of potential future behaviour and revenue

However a retailer develops brand loyalty it is crucial to identify what each element will deliver to the overall loyalty strategy and then put the right measures in place to analyse this activity. Across all industries, brands are increasing efforts to retain and satisfy their best customers to grow incremental revenues as well as stay ahead of, or even remain on, the competitive playing field. There is an ever-increasing need to understand current investments in loyalty and analyse performance in order to be able to identify the opportunities to drive greater ROI in the future.

Many forward-thinking retailers are moving towards measuring customer interactions as well as transactions, and regarding this as a reflection not only of current levels of engagement but also as a predictor of potential future behaviour and revenue.

To deliver on customer expectations across the multitude of customer touch points requires commitment from more than just the loyalty department. From programme planning and conception to ongoing development and regeneration, key stakeholders from board level to marketing and operational management need to be involved in determining not only the long term vision but also the short and medium term business objectives. There needs to be a clear understanding of the metrics being used to evaluate the success of those business strategies such as customer growth, share of wallet and ROI expectations.

With the backdrop of an increasingly socially connected world, brands are factoring customer engagement into their loyalty initiatives and building this into the business' KPI's as a measure of their success.

Return on interaction between a customer and a brand can be measured whether from online activity, via mobile and through social media networks. Retailers are fast appreciating that instigating a strong social media presence can pay dividends in terms of brand engagement. Facebook in particular, plays an important part of any retailer's digital strategy, and through developments like Facebook e-stores, or 'F-stores', interactions can actually be measured by tangible results. While the majority of brands are still struggling to calculate ROI from social media, Burberry professes to have done so by equating an initial 2 million Facebook fans with a 10 per cent increase in same-store sales.

Mobile retail customer relationship initiatives can be measured as every interaction is highly trackable and each consumer can be easily identified. Mobile metrics can be easily integrated with other existing digital metrics to provide a clear view of the relationship, engagement, and incremental profit per customer, right from first contact. Brands that have transitioned to a targeted multi-channel strategy based on customer behaviours have been able to capitalise on consumer desire for truly targeted offers.

Summary

As customers become increasingly demanding and commercially savvy it is essential for retailers to remain true to their business objectives: understand and analyse customers and act on these actionable insights in order to create true customer value. Ensure that customers have an integrated holistic experience when interacting with the brand, not only when purchasing but also via relevant targeted communications to build the relationship and strengthen loyalty. Remember it's not just the big data that matters - the small data and interactions are critical too.

Embrace the opportunities that social and mobile bring to develop relationships with customers. Harness the assets within the organisation and ensure all employees own loyalty.

Retailers must ensure timely, relevant communications with their customers in order to offer tailored, flexible and easy to use rewards, and capitalise on the valuable opportunity a loyal customer brings to a brand. Positive word of mouth, PR and media opportunities offer money can't buy dividends.

Setting the right objectives for the business and measuring and evaluating all activity will enable the smart retailer to continue to grow and evolve to deliver ahead of the curve experiences for their customers and in return they will create more profitable, loyal customers.

If you would like to create customer value, have access to the latest research and understanding of customer trends and innovative use of social and mobile channels, speak to us to help implement your game changing loyalty initiatives.

About ICLP

Dedicated to loyalty since 1987, ICLP is a worldwide leader in loyalty marketing and customer relationship management. ICLP offers a full range of B2B and B2C loyalty services – determining strategies, uncovering insights, engaging customers across multiple touch-points, and delivering and operating loyalty programmes.

ICLP has offices in 18 key locations in 15 countries across six continents. With a unique mix of experience, innovation, expertise and passion, ICLP has helped over 300 clients in 45 countries, across multiple industry sectors, to develop greater loyalty and more profitable customer relationships.

ICLP is part of The Collinson Group, a privately owned and independent organisation acknowledged as a global leader in specialty travel membership, insurance and marketing products and services.

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