



Taking the Measure of Loyalty





Introduction

Online commerce has certainly matured over the years, but if we think back, the internet's potential to enrich consumer experience was already alive and well a decade ago. It was a time that marked the dawn of a new era with the likes of Amazon enriching customer choice and broadening engagement opportunities online, via mobile and in person.

Today, trade media is still awash with advice on how brands can set themselves apart by delivering a seamless and personalised experience to keep customers loyal in this noisy, multichannel world.

Some businesses have notably put brand devotion at the very heart of their business strategy. Still, by their own admission, many companies' loyalty initiatives are not performing as well as they'd like, as uncovered by new research that Collinson commissioned from Forrester Consulting.

Forrester, an influential research and advisory firm, produced a framework alongside the research to assess the maturity levels of survey respondents' loyalty programmes. It found that half of them are still in their infancy.

Be it across retail, financial services or travel and hospitality, consumers are choice-rich, empowered and impatient – so driving customer devotion requires a sound strategic approach that makes customers feel recognised. While many businesses are still grappling with how to achieve that, the research findings underline a desire from companies to invest and improve in order to retain and acquire loyal customers.

Read on for insight into the strategies of loyalty practitioners of today and tomorrow.



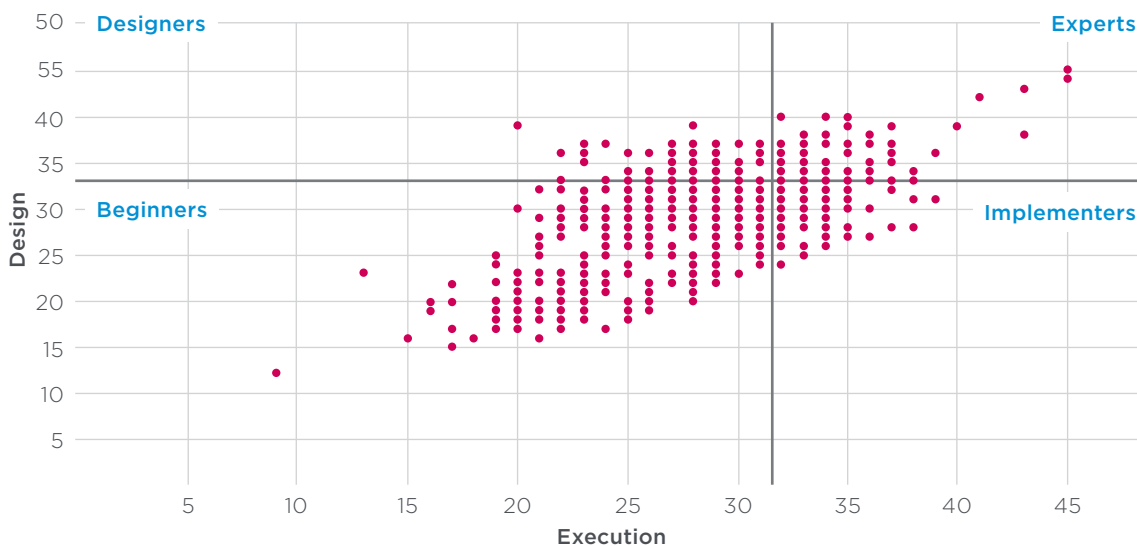
Loyalty remains a priority, but many recognise more investment is needed

As many have long agreed that it is more expensive to win new customers than retain existing ones, it's no surprise that in 2018 loyalty remains a key priority for marketers. In fact, with consumer choice now being so broad, delivering great customer experience has grown beyond being a marketing issue to being central to multiple roles throughout many businesses. Both customer-facing staff and the boardroom alike are embracing company-wide initiatives to keep customers loyal. 68% of respondents say they have a

cohesive loyalty strategy that spans multiple functions and is a top strategic initiative with C-level support.

Using the loyalty maturity assessment framework, survey respondents are graded on six dimensions: strategy, data and metrics, performance management, people and organisation, programme design, and programme execution. They are then grouped on programme design and programme execution, as shown in Figure 1.

Figure 1.



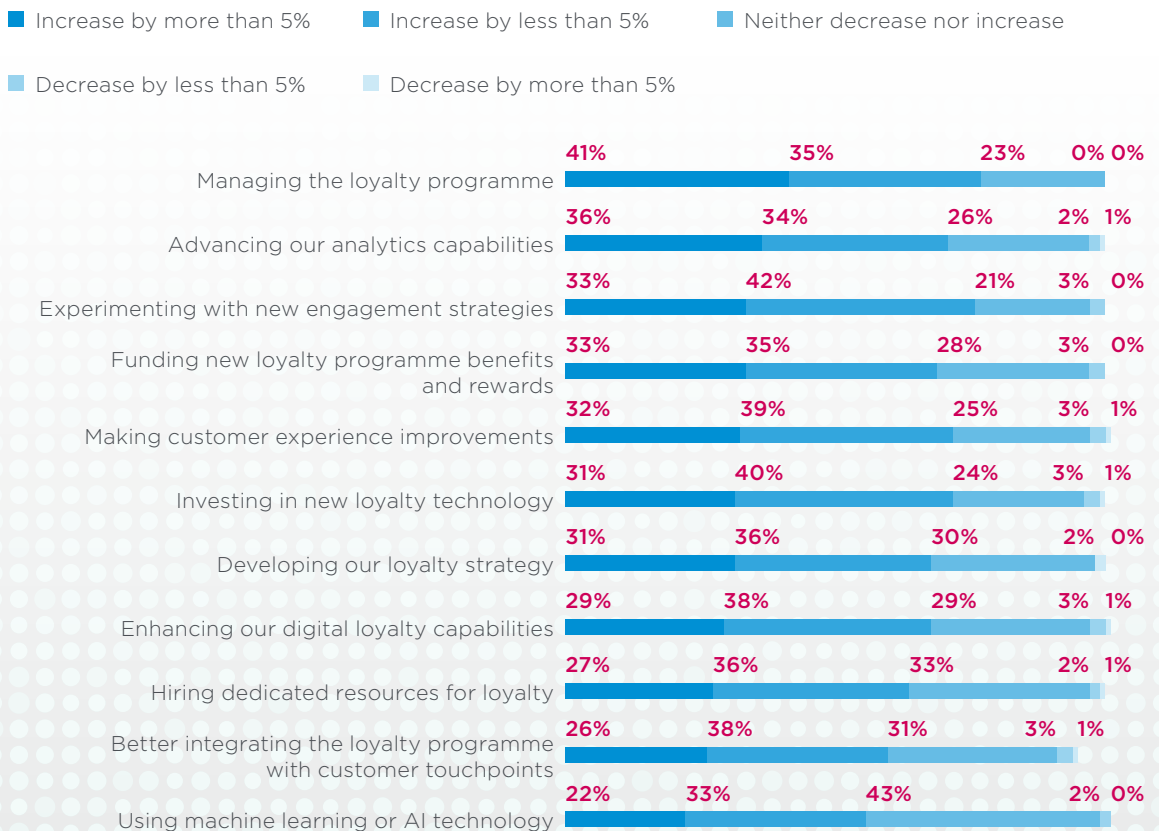
The most staggering result was that exactly half (50%) of organisations were considered beginners in terms of their loyalty maturity. This might seem surprising since loyalty programmes are nothing new; reward, point and VIP schemes have been pervasive for years. These tactics are still frequently employed, but their effectiveness is uncertain when they are deployed without a sound loyalty strategy.

Many respondents admitted that their attempts to improve loyalty were not as robust as they should be – as many as a third. There is good news, however: spend across loyalty is expected to increase in 2018 compared to 2017 (Figure 2). What’s more, we found that brands continue to see loyalty as being vital, with more than two thirds (68%) of respondents reporting that it is a critical or high priority.

There does not seem to be complete cohesion on which elements of loyalty needs investment. For 70% of respondents, they plan to increase spend on programme management to ensure it is effectively run by staff interdepartmentally. 76% also said they will invest in advancing their analytics capabilities to better understand what is and is not working effectively. As many as 68% said they were looking to allocate further funds for new loyalty programme benefits, diversifying how they reward loyal customers to entice them into repeat custom.

By respondents’ admission, there is work to be done to improve loyalty initiative management, and they are addressing this challenge by making it a priority.

Figure 2. Compared to 2017, how will your loyalty spending in 2018 change across the following categories? (Select one for each row)





What's the goal of loyalty?

What further underlines the finding that many loyalty initiatives remain somewhat in their infancy, as the maturity framework revealed, is that there seems to be a split on what outcomes they believe they deliver. Some companies measure engagement; others customer satisfaction; others brand advocacy.

There is largely a common consensus that customer satisfaction is a top metric, as agreed by 61% of financial services respondents, 64% of retailers and 65% of travel respondents. Secondary and tertiary measures include engagement, purchase behaviour and programme enrolment. Financial services and retail marketers then expected their programmes to deliver retention, while those in the travel sector ranked an improved customer experience their next best outcome.

Remarkably, the research highlighted a misalignment between the goal of loyalty initiatives and what the measure of their success is. For example, with customer satisfaction considered essential, one would expect it to be a critical loyalty programme objective (Figure 3). The top two priorities, however, were found to be customer acquisition (54%) and customer retention (46%), while the second lowest ranked goal overall was customer satisfaction, at just 32%.

In terms of customer strategy goals overall, 68% want to increase advocacy but only 40% are measuring it, and only 37% measure brand affinity when assessing the impact of their strategy.

The disconnect between what decision makers wish to achieve and what they actually track gives rise to a the question: Is there a fundamental lack of understanding of how to drive loyalty that is causing marketers to be so disorganised?

With this misalignment in mind, it is logical for companies to consider more 'connected loyalty' as the goal of any loyalty strategy. Most would agree that loyalty is most powerful when a customer has an emotional connection to a brand. Companies must assess the more intangible aspects of their relationships with customers. How devoted are customers to the brand? Are they advocates who recommend it to others? Customers who feel connected are fans, not just purchasers of products and services. The latter may simply be shopping out of habit or convenience, whereas fans will go out of their way for the brands they love.

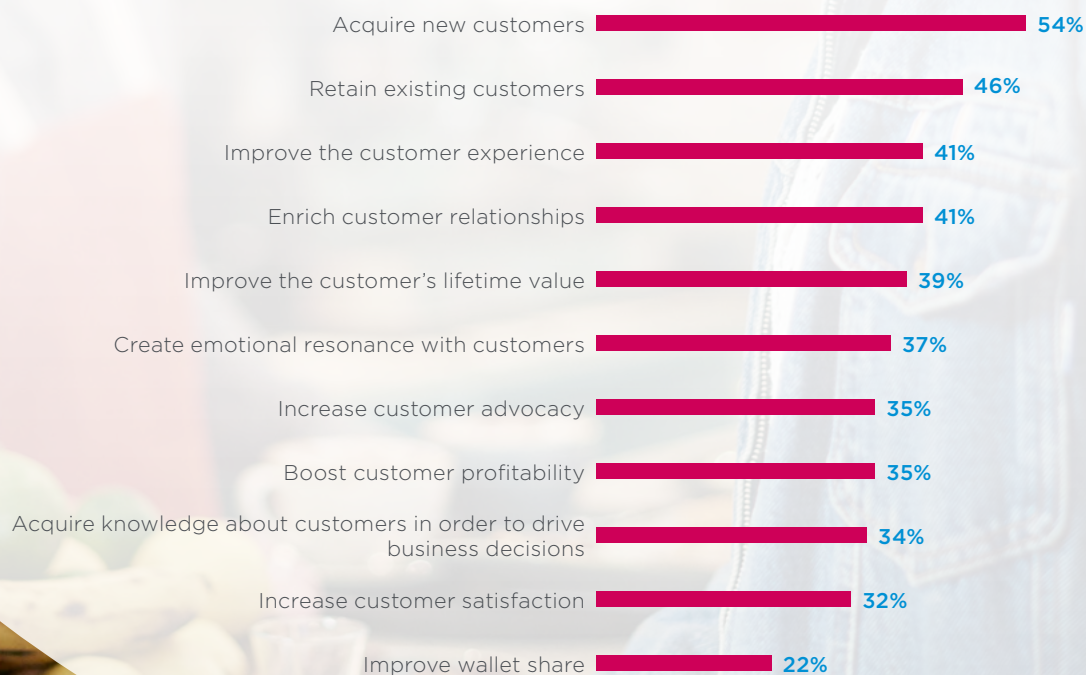
For more about connected loyalty, read our paper

Why You Need An Effective Loyalty Strategy, Not Just A Loyalty Programme

Regionally, marketers are more aligned. Over 60% of APAC, MEIA and Americas marketers agree that customer satisfaction is their key goal, while the majority of European respondents expected sales and revenue to be the result of their efforts. Interestingly, all regions were completely aligned with acquisition of new customers the key objective of the loyalty programme. Many loyalty experts remain committed to the role of loyalty as a retention tool primarily, but this research shows a clear shift in attitude regionally.

Where devotion is the ultimate goal, perhaps it is time to review the potential measurements and KPIs, and to align them so that they more truly reflect what will motivate the customer to move across the line.

Figure 3: What are the top business objectives for your customer loyalty programme? (Select up to 5)





Using loyalty to drive success at every stage of the lifecycle

One of the most powerful aspects of a loyalty programme is not just recognising and rewarding customers at point of sale, but also maximising engagement at every stage of the buying cycle. As the range of touchpoints has grown over time, so too has the need to use the resulting data to understand customers and engage with them more deeply. The insights we gain along the way can then be used to find more potential brand advocates.

Forrester has identified six stages in the customer lifecycle:

- 1 ● Discover
- 2 ● Explore
- 3 ● Buy
- 4 ● Use
- 5 ● Ask
- 6 ● Engage

69% of respondents believe that their loyalty strategy impacts their customers while making a purchase, yet only 33% deliver contextual offers during the buying stage and even fewer provide instant access to coupons and reward redemption. This means that loyalty practitioners are missing

opportunities to drive further engagement at this point. Just over two thirds (67%) of businesses believe their loyalty strategy is effective at the brand discovery stage, but when customers were actually looking for brands and services to meet their needs, just over a third of companies tailor new product recommendations based on past purchase or location data. For modern consumers who want to buy from brands that offer convenience, relevance and a positive experience, this slightly lacklustre approach is unlikely to engender true loyalty.

Loyalty programmes aren't just for strengthening relationships with current customers; they give companies the ability to target new customers using predictive modelling and relevant content. While 60% of businesses claim to use their loyalty programmes to make customer advocates, less than half are using their strategies to identify new prospects, make targeted media buys or create personalised content for look-alike segments.

Most respondents report that the buy and engage stages of the customer lifecycle are the most impacted by their loyalty efforts. Taking a step back to identify what customers expect during each lifecycle stage can not only improve the success of your programme, but also drive its effectiveness and ROI.

Personalisation is the key to a standout customer experience

Many companies still struggle to deliver the 'one-to-one' engagement that customers have come to expect, yet marketers have arguably never been in a stronger position to prove they understand their customers and can reward them with relevant experiences at the right moment. Techniques like segmentation are being used to varying degrees, but there is significant room for improvement to give customers something a little different.

Our research reveals that just 12% of companies can deliver individual product recommendations; far from the ideal customer experience that is going to drive loyalty with the time-poor, choice-rich customer who would automatically expect this today. Considering that customers who have high-quality experiences are 2.7 times more likely to keep buying from a brand than customers who have low-quality experiences¹, it is in a brand's own interest to provide a seamless and positive experience during each interaction.

Across the sectors, there is a marked difference in how far marketers are going to meet these expectations. Travel and hospitality are leading the way, with 38% of respondents stating they personalise most promotional content based on customer segments. In comparison, just 26% are doing this in financial services, with retail the lowest performing at 23%. There are also regional differences, with 30% of businesses in Europe personalising all direct marketing content

based on segments, compared to just 16% in APAC. European marketers fall short when it comes to product recommendations, however, with just 16% personalising all content by segment in contrast to the Americas, where 32% of marketers are doing this. These varying results indicate that marketers aren't leveraging their loyalty strategies enough across the board.

According to our research, some brands intend to address this, with 68% stating that more personalised customer experiences are a high or critical priority and 70% planning to use personalised real-time offers and predictive analytics. Those are certainly steps in the right direction, but as 57% reveal that they have no plans to use customer interaction data or contextual data to personalise their offers or interactions, there are still going to be significant opportunities missed.

Personalisation has been a talking point for a while now, making it easy to forget how it can make a brand stand out in the customer's mind. Differentiation from competitors is a concern for respondents, with 66% saying that it is a challenge. This is where personalisation is at its best – empowering a unique experience that feels one-to-one. Segmentation remains a vital tool, but companies that raise their game with more dynamic personalisation will be able to deliver outstanding, memorable experiences that encourage customers to return.

Reference

1. How Firms Help Employees Evoke Emotions that Deepen Customer Loyalty by Forrester, January 2018





Note to marketers: you are not the customer

Despite the advanced tools and techniques available today to analyse data and understand what the customer wants, perhaps the most surprising result of all of the research is that brands are guessing who their best customer is rather than investing in understanding them and what motivates them to be loyal.

To the world outside of marketing, it would surely sound bizarre to hear that brands are making assumptions about their best customers. This research reveals that more than two thirds (67%) of brands are only conducting loyalty-specific market research occasionally to build a greater understanding of who their best customers are.

Perhaps it's not for the want of trying – the research revealed that brands rank understanding member interactions across all touchpoints as their key challenge, alongside

delivering a consistent experience for loyalty customers across all channels. Financial services marketers report understanding interactions across touchpoints more challenging (68%) than those in retail (65%) and travel and hospitality (59%). 34% say a top objective for their programme is “Acquire knowledge about customers in order to drive business decisions.” That changes to just 30% for FS, 41% for retail, and 32% for travel and hospitality.

Without a deep understanding of customers, their needs, motivations and behaviours, truly recognising and rewarding advocates remains an elusive goal. It stands to reason, therefore, that 63% of brands don't have a deep understanding of why their customers are loyal. Without this knowledge, they are not in a position to inspire advocacy, and perhaps this explains why just 36% of brands actually identify and reward their advocates.



What's the final measurement?

As new touchpoints are created and new personalisation methods are developed, the door is opened to deeper connections with customers. They, in turn, have come to expect a smarter experience from their brands of choice, and marketers must strive to meet their ever-evolving needs. This research proves that the loyalty marketing community is eager to utilise the tools and tactics now available to drive a more emotional connection, but also that they are struggling with the uphill challenges that come with them. They are seeking a more thorough understanding

of their customers at every touchpoint and lifecycle stage, and endeavouring to create individualised buying experiences that stand out from the competition.

Loyalty initiatives that result in true brand advocates are powerful tools, but they require the right strategy, solutions and tactics to give return on investment, as well as clear objectives and measurements. In this increasingly competitive environment, it is more critical than ever that companies offer the inspirational experiences that motivate customers to return.

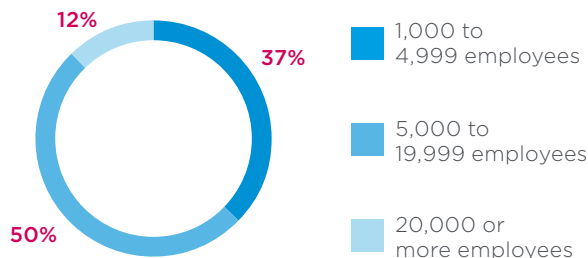


Methodology

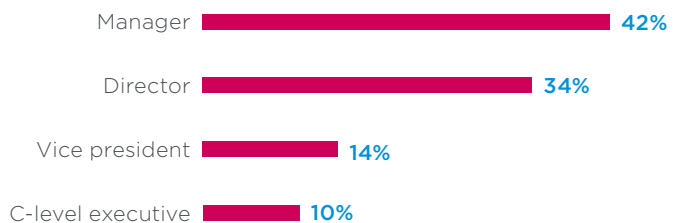
Collinson commissioned Forrester Consulting, a renowned research and advisory firm, to conduct a global research survey on the state of loyalty in 2018. 635 respondents, all loyalty practitioners, graded themselves and their programmes on a series of measures and shared their key goals and challenges.

Conducted in April 2018, the survey included a range of respondents from the UK, USA, France, Hong Kong, China, India, UAE, Singapore, Brazil, Australia, Japan, Korea, Indonesia, Saudi Arabia, Mexico and South Africa. There was equal representation from the retail, travel and financial services sectors, and all are employed by companies with revenue from \$300m to \$5b+.

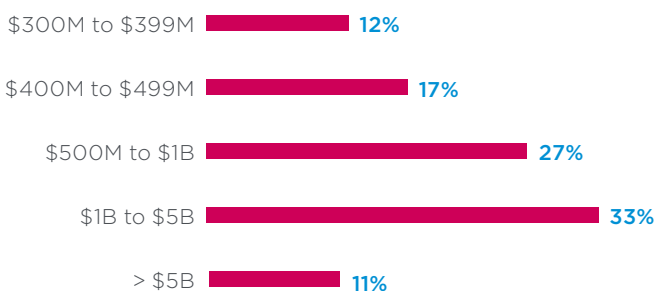
Company size



Job title



Estimated annual revenue



Level of responsibility



About Collinson

Collinson is a leading global loyalty and benefits company. We craft customer experiences that enable some of the world's best-known brands to acquire, engage and retain the most demanding, choice-rich customers.

Our loyalty experts differentiate our clients' propositions using our unique combination of loyalty strategy, award-winning solutions and loyalty services. We drive long-term engagement by creating deeper, more meaningful connections.

We have 30 years' experience working with the world's leading payment networks, over 600 banks, 90 airlines and 20 hotel groups in over 170 countries. Our clients include Visa, Air France KLM, Mastercard, British Airways, Qatar Airways, Alpha Bank, Mandiri, IKEA, American Express, Intercontinental Hotel Group, Hilton and Radisson Hotel Group.



20 locations



14 countries



2,000 talented individuals



800+ clients

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