

Why you need
an effective
Loyalty Strategy,
not just a
Loyalty Programme





Winning the loyalty of today's customer is more challenging than it has ever been. It's difficult to imagine any industry not affected by the forces of technology and market change that are creating today's hypercompetitive milieu for brands in all sectors.

Today's customers are always "on." The digital revolution has made brands a persistent part of consumers' everyday lives which fuel increasingly demanding customer expectations. This is in turn a double-edged sword for brands - while it may be easier to reach out to customers, bad experiences with brands can be communicated across social platforms like wildfire, upping the ante for brands themselves to be "always on" in their interactions.

How do brands acquire, engage and retain valued customers in an environment like this? Let's start by carving out a definition for loyalty that works in today's markets. Then we'll talk about loyalty as a strategy, rather than a singular programme. And finally, we'll explore tactical principles you can use to fuel an effective loyalty strategy.

What is loyalty?



Loyalty is the ability to understand and engage your customers in a relevant and meaningful way.



TESCO

Google

amazon



When we think of loyalty in general, we tend to think of iconic brands like these, whose customers go out of their way to buy, advocate and defend their products. But loyalty is not an either/or proposition. Instead, it manifests itself in many different ways, all the way from a passive, opportunist state masquerading as loyalty (perhaps your product is just the only one available at the local convenience store) all the way to a deeply engaged and emotional loyalty that is the hallmark of brand devotion and advocacy.

Harvard Business Review¹ recently devoted a majority of an entire issue to loyalty, debating the merits of loyalty versus habit. The binary relationship in brief amounts to this: loyalty is a conscious decision by a customer to purchase or use a product or service that meets a rational or emotional need. Habit on the other hand, is an unconscious decision of convenience. The customer chooses a product or service because that choice is the easiest thing for them to do - it is the product closest at hand, the one available in the nearest store, the flight that pops up first

References

¹ Harvard Business Review, Jan-Feb, 2017 issue.

when they search for a travel arrangement. While habit fails to deliver the emotional impact of loyalty – the customer will not actively advocate nor feel devoted to that product – habit can still result in a cumulative competitive advantage. And habit may be the opening gambit for an ambitious brand to build a true loyalty relationship with the customer.

Loyalty today is about relationships – the experience and engagement a customer has with your brand. A customer who purchases, say, a particular brand of gum because it is conveniently located at the checkout when they pay for their groceries may be a repeat customer, but they are not a deeply loyal customer. They are merely purchasing out of habit and if the store places another brand or flavour of gum in the same location, the customer may just reach for the alternative.

But if that same customer initially bought your gum out of habit, but happened to see a code to access a game or register to earn points or began to tell friends on social media about your gum....then they have begun the journey to a more connected loyalty with your brand.

Collinson views loyalty as a continuum. It is most definitely not an either/or proposition. Viewing loyalty as a continuum provides a useful way to envision the transition of a customer from a habit-oriented relationship of convenience with your product to a deeply connected state of loyalty, marked by engagement with, and devotion to your brand and product and a willingness to advocate their merits to others.



Complacent

Conditional

Connected

When we think of loyalty as a continuum, we envision it stretching from a mostly passive relationship – complacent loyalty – to a fully engaged connected loyalty state.

Complacent loyalty is often opportunistic. At this level, customers purchase your brand out of habit or because they have no choice. For example, you may have been with the same bank or broadband provider for the past 10 or more years, not because you are passionate about those companies, but because you don't have much of a choice or it's just too much trouble to switch. There is little to no engagement or relationship in complacent loyalty – it is the result of habit, or inertia.

Conditional loyalty exists midway along the continuum. Traditional earn-and-burn relationships driven by incentives often mark this kind of loyalty. When many people talk about loyalty, this is really the level of engagement they are referencing – a customer buys 10 cups of coffee and gets a free coffee, or they earn points for frequent flyer miles that can be redeemed. The loyalty earned at this level is only strong enough to hold a customer's attention until a competitor offers a better discount, bargain or incentive (assuming everything else remains equal). The give-and-get relationship level here should be viewed by brands only as a way-station to developing a deeper relationship with customers.

Connected loyalty should be the goal of any loyalty strategy. Loyalty only becomes truly powerful when a customer has an emotional connection to a brand and becomes an advocate for the brand. Connected loyalty is measured by more than revenue – brands must assess and value more intangible aspects of their relationships with customers. How devoted are customers to the brand? Do they want to recommend or talk about the brand with others? Customers who feel a connected loyalty are fans of brands, not just purchasers of a brand's products and services.

If you want to create connected loyalty with your customers, you need a loyalty strategy, not a loyalty programme.



Loyalty strategy

VS.

loyalty programme

Loyalty today must extend beyond traditional earn-and-burn, points and rewards programmes. We often hear companies talk about loyalty and say they have a “loyalty programme” when they really are referring to some kind of points earning mechanism and rewards redemption. Rewards programmes are powerful motivators for customer behaviour, but fostering deep devotion with today’s customers must expand beyond an incentives programme.

Loyalty is a strategy and shouldn’t be conflated with one of many tactics – like a points and rewards programme – for engaging with customers. Consider how airlines deeply engage with their customers. Miles can be earned as a standard reward for purchasing flights, but this is regularly combined with short term additional earning opportunities and bonus promotions. But the airline loyalty strategy goes beyond these earning opportunities to include priority check-in, lounge access, early boarding and for some, complimentary class upgrades. All

these are value-added benefits that improve the customer’s experience and their positive perception of the airline. And because multiple airlines employ many of these same tactics, each individual airline must also strive to include something unique within their loyalty strategy so that customers have a reason to emotionally engage not just with a desired tactic (earning miles), but have a reason to do so with a specific airline brand.

A loyalty strategy encompasses the entire journey your customers travel with you. It’s not a platform, it’s not a reward – it’s a holistic strategy that aims to motivate customer behaviour to achieve goals of customer acquisition, development and retention. The actual mechanics of your programme, like the platform and rewards, are the tactics you employ to support that strategy. One such tactic may be a comprehensive engagement approach, for example, that includes elements such as personalised communications and memorable experiences.

Principles

of Loyalty Tactics

Specific tactics supporting a loyalty programme are many and can vary by sector, your products and services and your target customer. Thus, there is no hard and fast list of “do this for loyalty success” tactics - this is why an experienced loyalty agency will work closely with you to develop a bespoke strategy for your brand.

Ultimately, the tactics that you develop to achieve your loyalty strategy need to deliver against customer expectations (and exceed them!), but will also stay true to your brand. What do customers want from a brand in exchange for their loyalty? If you want to engage with your customers in a way to encourage and support their loyalty and advocacy, deliver against these six concepts:

- **Simple and convenient experience** - ensure that it is easy for today’s “always on” customers to interact with, and buy your brand - whenever and wherever they are.
- **Personalisation** - an epoch of generic communication has ended - speak directly to each of your customers! Personalisation goes well beyond inserting the customer’s name. When customers share personal information with a brand, they expect brands to use the data to engage with them at a personal level.
- **Relevance** - the intersection of machine learning, analytics, and advanced marketing automation capabilities allows brands to serve up experiences (including rewards) that are meaningful to your customers.
- **Innovation** - coalition programmes, premium service, payment via apps or with multi-purpose loyalty cards - in a hypercompetitive market, brands must remain alert to new ideas and opportunities to delight customers.
- **Consistency** - integrate operations and systems to deliver a seamless experience to customers across all platforms and channels.
- **Value** - whether you offer a free loyalty programme or a for-fee membership option, retaining customer loyalty is contingent upon delivering high perceived value to customers who exchange either personal information and/or money to participate in your programme.



The great global recession of 2008 is barely 10 years in our rear view mirror and businesses around the world learned a painful lesson: no business is too big to fail. Since 2008, statistics released by Accenture and others suggest that as many 96% of businesses fail within 10 years of inception². Meanwhile, we see the rate of technology continue to accelerate.

Continuing to attract, win, and retain loyal customers is an endeavour of ever present vigilance. Change, rapid change, is here to stay. Connecting meaningfully with your potential customers, new customers, and

retaining customers relies upon the principles above, but must leverage tactics that continue to evolve. Consider these stalwarts of today's customers' lives and when each was introduced: Facebook (2004), Twitter (2006), Google Android platform (2007) and Google Chrome (2008), Snapchat (2008), Instagram (2010), and the Apple iPad (2010). Many of these are tools or vehicles for interacting with your loyal customers today. What will your customers be using tomorrow? Or in one or two years?

Loyalty strategies must be reviewed regularly and updated; not only to continually align with shifting brand roadmaps, but in order to accommodate new tactics for effecting your strategy. Your overall mission though should remain consistent: to understand and engage with your customers in ways that are meaningful and relevant to their lives. To deliver superlative experiences and engage deeply to not only win their individual business, but to win their devoted loyalty and advocacy for your brand - growing your business.

Reference

² 2016, Accenture. <https://newsroom.accenture.com/news/members-of-customer-loyalty-programs-generate-significantly-more-revenue-for-retailers-than-do-non-members-accenture-research-finds.htm>

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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