

# THE ESSENTIALS OF CUSTOMER LOYALTY

EFFECTIVELY ENGAGING  
YOUR CONSUMERS



**MEDIA  
PLANET**

Future of Business and Tech

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# Want to Create a Great Customer Experience? Start With Your Employees



Creating great customer experiences requires engaged employees, not only those who face the customer, but those who work behind the scenes. In the classic Harvard Business Review article, “The Human Sigma,” Gallup researchers found a clear correlation between customer satisfaction and employee engagement.

The Temkin Group’s 2016 Employee Engagement benchmark study found that companies with high levels of customer experience have 1.5 times as many engaged employees as do the companies with poor customer experience.

## **The employee factor**

The International Organization of Standardization, known as ISO, updated its widely followed quality management principles in 2015 to make the engagement of people one of the seven cardinal foundations of state-of-the-art management and has approved the creation of engagement standards.

“It’s also important to create a climate in which everyone wants to provide feedback to improve performance.”

So how do organizations make this connection? Employee experiences are important, but it also requires your organization to have a clear brand definition that unites customers, distribution partners, employees, vendors, communities and shareholders.

### **An engaging environment**

Companies need to continually assess engagement and hold managers accountable, while maintaining communication to reinforce brand promises and the actions that fulfill them. Critical to this is implementing ongoing training so everyone is capable of doing their part to maximize the customer experience.

It’s also important to create a climate in which everyone wants to provide feedback to improve performance. Reward and recognize everyone who excels or who makes an effort. Finally, there needs to be ongoing analysis of empirical and subjective survey data and feedback findings to know what customers and employees need.

The payoff? A culture based on continuous improvement and sustained high performance that utilizes marketing and human resources dollars more wisely.

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# 4 Ways to Improve Customer Retention



Customer engagement is no longer a “one size fits all” marketing strategy, but it’s surprising to see how many professionals still fail to adjust to this evolution.

In this environment, continuously acquiring new customers is more costly and unreliable, which is why customer retention is now a priority.

In theory, customer retention should be simple and based on doing right by customers. But, this focus has been lost. The brands that know their customers well are those performing well. New, mystifying technologies and consultants are not always the answer to this problem. However, a focus on customer retention can help. Here’s how:

## 1. Build loyalty

Customer loyalty is, at its core, about retention, not acquisition. A loyal customer, by definition returns to a brand, leading to increased lifetime value and long-term relationships.

## **2. Personalize experiences**

Customer retention builds deeper relationships, allowing marketers to understand exactly what customers like and dislike. While acquisition can sometimes lead to quick, short-term growth, it doesn't easily lead to insights that drive meaningful experiences.

## **3. Generate trust**

Customers are more likely to engage with brands that already inspire strong affinity. Some leading marketers believe customer retention begins with establishing trust through quality products and personalized experiences, while many of the ephemeral aspects of acquisition marketing fade.

## **4. Establish alignment**

Customers return because they know what to expect and like what they get. This requires a consistent internal vision and the ability to mitigate outside influences claiming to be an end-all solution. Brands must look inward to design the simplicity that consumers crave.

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# Why Customer Loyalty Is About More Than a Program



Loyalty marketing is not about loyalty programs, as some believe it is. Rather, it's about driving true brand advocacy and customer loyalty based on a set of experiences that an individual has with that brand.

## **Defining loyalty**

The biggest challenge on the loyalty marketing landscape is the use — and sometimes, overuse — of more and more terms that lack definition, structure and an explicit understanding of what these words and nomenclatures mean.

As we talk to brands on a daily basis, we ask them about how they define customer loyalty, how they socialize customer loyalty and how customer loyalty can impact their organization.

There appears to be a divide between those who talk customer loyalty and those who talk about loyalty programs. A loyalty program is but a piece of a

comprehensive strategy that brands should enable to create total and comprehensive loyalty.

“Terms such as ‘frictionless loyalty’ and ‘empowered engagement’ are often heard but don’t necessarily help brands in their customer journey.”

There is also a growing complexity and increasing number of technology platforms that are intended to create simplicity, but have done the exact opposite. Terms such as “frictionless loyalty” and “empowered engagement” are often heard but don’t necessarily help brands in their customer journey. In fact, they tend to do the opposite, often creating confusion.

### **Getting the big picture**

It all consistently breaks down into an 85 to 15 ratio where 15 percent of the brands have created the culture, technology, process and alignment with the organizational mission to truly put the customer first.

The other 85 percent, though, continue to struggle, whether it’s due to the lack of understanding of where they are in their customer journey, where they are in their ability to execute, or most importantly in their ability to truly hear and understand their customers.

It’s a unique time in our industry to help those who are struggling and coalesce thought around the big picture idea of customer loyalty.

Over the next year, we must work to create a series of certifications and standards, as well as continuing education resources, that will help create simplicity and bring unity to the industry while coalescing thought around customer loyalty.

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# 5 Things Every Loyalty Pro Must Know About Their Customers



In its commercials, DirecTV takes a swipe at its competition, cable television, through a pioneer family of sad-sack “settlers” who accept so-so clothes, food and, yes, entertainment.

As loyalty operators, are we settling with programs that fail to get the most value out of data analytics or create true engagement? Before you answer that, here are some questions to explore:

## **1. Are you segmenting members for the past or future?**

Segmentation should: leverage various data sources to model potential at the individual member level, test program offers and measure accordingly, and update frequently.

Evaluate a combination of purchase details, profile data and partner data to help estimate future rate of return. Weigh various approaches to segmentation and

consider the methodology, timing and resources for each.

## **2. Are you investing in members appropriately?**

Your value prop should motivate best members for preferred behaviors and offer something beyond tangible discounting. Some programs overinvest in a group out of line with their potential. Evaluate member sales vs. program funding, and analyze benefit costs by type vs. percentage of sales.

## **3. Are your members effectively engaging?**

Consider: Are you achieving incremental financial benefit from additional redemption and engagement? Are you simply pulling ahead an expected transaction or generating incremental spend? Are you able to drive incremental margin through category strategies? The data is already sitting there; not putting it to better use is a waste.

## **4. Are your marketing efforts better for members?**

Conduct a thorough campaign measurement, not just for a promotional period but pre- and post-campaign. Be sure to look at the frequency cycle of those targeted. While things like response rate, click-through rate and the like are important, don't lose focus on leveraging the value of individual customer information to drive bottom-line financial improvement.

## **5. What is the ROI for your program?**

Analysis of a loyalty program should evaluate three factors. Benefits, which may include, reduced attrition, increased value, account acquisition, membership fees. Costs, such as one-time startup costs, liability costs, operating and marketing costs. Results like return on investment, net present value, what-if scenarios and comparison to industry benchmarks (to assess the range of possible outcomes, such as incremental transaction lift, attrition improvement, enrollment, or penetration rate).

Remember: Loyalty programs are a gold mine of data, but companies must have a clear plan to mine that gold. Don't settle.

# How to Make Loyalty a Part of Consumers' Everyday Lives



Keeping consumers engaged in loyalty programs has become increasingly difficult, as every brand is vying for their attention and willing to reward their members with all manner of incentives, from points and rewards, through to special promotions and cash back.

It's imperative now more than ever for brands to cut through the noise and find new ways of naturally integrating touch-points into the day-to-day lives of consumers, allowing them to earn and redeem in ways that are accessible, convenient and add value to their lifestyles. Ultimately, what we're talking about here is putting consumers firmly at the heart of loyalty programs.

## **Creating opportunities**

There are already many examples of excellent earn-and-redemption loyalty platforms that put customers front-of-mind, with some specializing in online audiences and others focusing more in-store. Brands such as Avios, Tesco and Virgin Atlantic are just a few examples of brands doing this well, with retail and travel being two industries synonymous with loyalty and rewards in general.

However, for continued and longer-term success, the real winners will be brands that can effectively drive engagement both online and offline, creating more opportunities to interact and, therefore, engage with their loyalty program members on a daily basis. And it's something consumers think is important too: 61 percent of travel and financial services loyalty members in fact, according to our recent global research into the behaviors of global loyalty program members.

“... only 30 percent of loyalty members believe that their loyalty program rewards actually reflect their lifestyle and hobbies.”

## **Individualizing rewards**

Equally important is ensuring that the data from these interactions is used effectively. Our research found that only 30 percent of loyalty members believe that their loyalty program rewards actually reflect their lifestyle and hobbies. Most of us are already aware of the importance of personalization when it comes to loyalty program, but clearly more work needs to be done.

Brands looking to build a successful loyalty program should ensure that they invest time and resources with partners who share a members-first philosophy and have tailored insights to back it up. Having the same vision and focus is crucial in building a loyalty ecosystem that delivers true engagement, value and loyalty.

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## 3 Predictions for the Future of Customer Experience



Recently organizations have realized the value a Voice of the Customer (VoC) program can play in delivering insights into the customer experience. VoC is now a fundamental part of a well-rounded customer experience program, increasingly so for B2B companies and as table stakes for B2C companies.

The growing importance of the customer experience isn't surprising. After all, it's well recognized that in many industries customer experience has become a key player, with prices and even product features being difficult to use as differentiators. With this momentum comes an evolution of best practices. As we continue into 2017, we must start thinking about what the next innovations and trends will be to continue to drive viral, transformational change.

## **1. Getting the executives on board**

As customer experience practitioners, we know how important certain metrics are — such as Net Promoter Score® (NPS®) or repurchase propensity. However, these numbers do not necessarily hit the mark with top executives. It's important to clearly show the linkage between customer experience metrics and financial and business metrics — as these are the sort of scores that executives focus on daily. They may like the simplicity of one number, but one number is rarely sufficient for deeper-level insights.

In addition, the juggernaut of predictive analytics has arrived. Leveraging predictive analytics in VoC and the customer experience will help drive business change in the organization by looking forward instead of backward. For example, instead of worrying about what a customer's NPS® was last week, it's about strategizing on leading indicators deep within the experience that will predict impact upon customer, operational and financial metrics.

## **2. Motivating employees**

Many workers aren't engaged at the level that provides fertile ground for great customer experiences — and haven't been for years. However, you can turn this situation around by demonstrating the importance of their role in the customer experience.

In the future, more organizations will focus on motivating employees to deliver better experiences. It sounds simple, but it works. By creating viral change in the organization, starting with frontline employees, organizations can kill the typical "command and control" ethos. This will empower and enable all employees in the organization — from the bottom up.

Getting customer data and insights into the hands of the right people will allow for richer conversations, translating to added value for the customers. This is great for customers, but also allows all employees to be engaged, authentic and truly enjoy their role, because they know they are making a difference.



### **3. Eroding existing data silos**

To drive action and change within an organization, it's critical to break down existing silos. This will become increasingly important as the customer experience evolves. Organizational data silos can make it impossible for companies to get the kind of holistic, real-time insights they need to improve the customer experience, anticipate customer behavior, drive organizational improvement and maximize innovation and profitability.

An effective customer journey map relies on cross-functional collaboration, sharing and communication and continual refinement. This helps to break down some of the walls that impede delivering on the customer experience promise and promote an understanding of how everyone plays a role in the journey. It will no longer be good enough to simply gather customer feedback, analyze and report on it, then drive tactical action. These are becoming hygiene factors — something that helps businesses improve, but doesn't drive transformational change. "Find and fix" will only bring you up to par.

While it's difficult to truly predict what lies ahead for VoC and the customer experience, it's clear that change will start with those driving the program.

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## About Us



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### What we do

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