

LOYALTY 2.0: LINKING LOYALTY TO THE CUSTOMER

Are you ready? As a Loyalty marketer, how do you feel when reading statistics such as 30 per cent of Google searches on the world's top 20 brands provide results that link to Social Media on the first page or that the internet accounts for only 10 per cent of total sales, but social networks influence 40 per cent of all offline sales?¹ Calm? Well, unless you have thought about how your Loyalty strategy is going to leverage social media, calm is not how you should be feeling.

This is especially true when we consider that with one click of a mouse, consumers can ditch your brand in favour of any number of your competitors, anywhere in the world.

The fact that 25 per cent of purchases are now made online is a testament to the extraordinary growth of internet shopping, adding another dimension to the key challenges facing businesses today: winning and retaining customers, while reducing costs.

This article looks at the concept of 'Loyalty 2.0,' providing insight into where Loyalty programmes are headed and the growing importance of technology in underpinning a successful loyalty programme.

THE INFORMED GENERATION

More than ever before, customers are expecting to take an active role in their relationship with a brand. Launching blanket offers to entice customers is no longer enough. Instead, they expect to be rewarded accordingly for their long-term commitment and presented with personalised offers each and every time they engage with a business.

Consumers are savvier today than ever before and businesses need to respond.

DISCONNECTED

Launching successful Loyalty programmes has traditionally been complex. Although they have been able to use and act on data obtained from customer transactions, the reality is that it has been a largely impossible task of analysing multiple reports in a vain attempt to decipher customer trends and apply promotions appropriately.

Due to the complexity of the systems underpinning the programmes, Loyalty initiatives were often set up and then left to run - untouched and in isolation from the business. The Loyalty programme database was often mined for tactical marketing campaigns - but it took too long to alter the rules of the programme to embed short-term promotions. As a result, Loyalty programmes were unable to rapidly adapt to support tactical sales issues, which has left many completely disconnected from sales - providing only minimal support to tactical marketing.

This has been principally due to the limited options for organisations considering launching a Loyalty programme:

- Build a bespoke system and manage it internally
- Outsource programmes to third-party specialist Loyalty agencies
- Participate in another company's Loyalty programme
- Purchase a specialist solution and shoehorn it into the existing IT infrastructure

Until recently, companies have been limited in their options - lose control of the Loyalty programme or invest in additional IT resources.

HANDING LOYALTY BACK TO MARKETING & SALES

With the right technology, the complexities involved in managing a campaign have now been dramatically simplified, allowing marketers to regain control of their Loyalty programmes.

¹ Edelman Trust Barometer 2008

Moreover, this can be achieved across all channels of engagement between the business and the customer.

Technology is now available that allows information relating to customers held in disparate systems, across all departments, to be analysed and then actioned - all within one application environment. Armed with this information, companies can then build highly tailored loyalty offers for customer segments or specific individuals.

It is also possible to do this analysis in real-time, so businesses are able to present the most appropriate offers and rewards while the consumer is engaged online – or, in fact, across all channels of interaction.

One US on-line insurance broker saw sales uplifted by an average of \$20 per customer with this approach.

Considering that offers based on an individual's lifestyle and interests have conversion rates of up to 20 per cent, companies simply cannot ignore the opportunity to increase profits through targeted communications.

However, the real value for the business is the ability to easily identify the key loyalty drivers, both online and offline, against a whole host of variables.

For example, a major French supermarket recently faced low sales for one of its premium, specialist cheeses, which itself had a niche customer base. The company considered discontinuing the product, however, after analysing purchasing trends for the niche customer base, it quickly realised that they were actually the company's most valued, loyal customers.

Having this level of visibility, the company quickly realised the need to continue stocking the cheese at a loss – or face losing some of its most devout customers. In this case, the supermarket achieved the right balance between generosity and loss. Without this insight, a simple decision such as this could have

had long-term negative implications for the business.

Social media has caused a radical shift in consumers' expectations. They expect communications with businesses to be as quick, interactive and personalised as when they log on to Facebook to interact with friends. The 'Loyalty 2.0' approach offers the potential to respond to this shift. Failure to embrace it will severely hamper loyalty efforts as customers tune in to more interesting, engaging and rewarding businesses.

Natalie Kouzeleas, Director, Loyalty and Marketing Solutions, Oracle EMEA
Natalie.kouzeleas@oracle.com