

A question of loyalty

With so many buying options available to customers, it's now more important than ever to get them on your side. Liz Morrell asks industry experts how to turn everyday customers into faithful followers

How to gain and retain customer loyalty should be a key element in any business strategy. The importance of businesses taking time to create a faithful following has been highlighted by much research over the last two decades, and a failure to do so could cost you dearly.

A report by Gartner, for example, found that 80 per cent of future revenue will come from 20 per cent of a company's existing customers, while *Marketing Metrics*, a guide to measuring market performance, found that selling to them is 40 per cent easier than a new customer.

Finding new customers can also be costly, meaning that many businesses could be more profitable simply by concentrating on the customers they already have rather than chasing new ones. Yet according to business strategists Marketing Wizdom, the average business loses around 20 per cent of its customers each year by failing to address

customer relationships – as high as 80 per cent in some companies. Too many are focused on gaining new customers to grow when simply building better relationships with their existing ones or reconnecting with their dormant customer base would actually earn them more.

With consumer spending expected to grow by around 2 per cent per

annum on average in real terms until 2030, according to PwC's *Consumer Spending Trends to 2030*, businesses can't afford not to be building better loyalty among customers.

So how should it be done? Businesses are realising they have to go beyond the call of duty in today's market especially as the customer becomes more demanding. "Customer expectations have risen," says Jo Causon, CEO of the Institute of Customer Service. "Their needs and preferences are changing

more quickly, with speed, convenience and being easy to do business with, particularly important," she says.

With the shift away from a transaction-based economy to a relationship economy, this means service and trust is vital, "It's much more about dialogue because if I feel more engaged as a customer I will have better levels of satisfaction and be more loyal," she says.

Engaging the customer is about improving the customer journey at all touchpoints so that the overall experience is better rather than just focusing on the rewards schemes of the past, according to Causon. She cites value-added services such as click and collect in the retail sector. "It's about those companies that have worked through the whole of my customer journey and identified the pain points," she says.

In both B2B and B2C it is those companies that offer innovative new benefits and services to their customers that will make the biggest strides in

➤ **"It's about how you use insight, data and technology to deliver across touchpoints"**

Loyalty in the B2C sector Focus on leisure and hospitality



In the hospitality and leisure market, doing more to retain customers is increasingly important because competition and consumer expectation are on the rise, according to Katherine Jeffrey, relationship director, Leisure at RBS. She cites the CGA Peach BrandTrack survey, which shows that a typical 18 to 34-year-old consumer's casual dining repertoire has

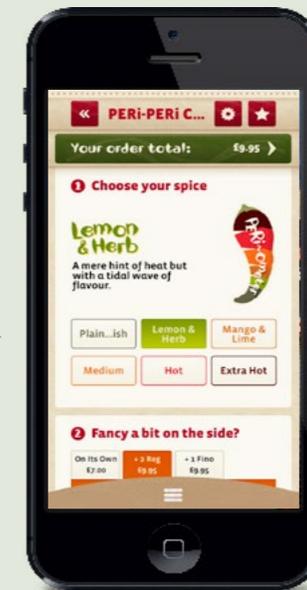
increased to 9.8 different brands (against a national average of 7.7). "When you are in a competitive business such as this, if you can get regular repeat business you are on to a winning strategy," she says.

The service proposition is vital – adding value to the customer experience to retain loyalty. "A loyalty scheme isn't enough," she says. "You still need to build in the customer experience, of which service is a big part." Jeffrey cites the example of iglu.com, a ski and cruise holiday company that ensures its site is always up to date with an in-house content team and a call centre team who have holidayed in the destinations. That value-added service and trust is what's building their customer loyalty, she says.

Loyalty schemes still play their part but their focus is evolving, too, especially in

the restaurant sector, with technology increasingly key. At Subway its Subcard mobile loyalty app allows customers to collect and redeem points and also feed back direct from their mobile via Tell Subway. Similarly, Nando's is creating a platform for growth with its loyalty app, where you order food and make notes. "These brands are trying to find ways to build out the app beyond a simple stamp card. Technology is adding to the collection of data while giving something back to the customer," she says.

In London, restaurant Grillshack is enhancing the customer experience through touch-screen kiosks in store and an app that also allows customers to select and pay for food and drinks from their smartphones and iPads, while Mexican chain Wahaca aims to cut payment time to 60 seconds by allowing customers to check, split and pay their bills via mobile. "Brands like these are allowing customers the chance to tailor their own experience," says Jeffrey.



Hot idea: Nando's loyalty app offers a range of features to enhance the customer experience

*YouGov report: Loyalty Cards and Schemes 2013; **Contumino 2013 survey of 2,109 consumers and 100 UK retailers

customer retention and loyalty, according to Causon. One such example is the deployment of smart metering in the utilities market, where going beyond the norm could offer valuable services the customer would treasure – boosting loyalty as a result. "If that was cleverly deployed they could look at my mum's pattern of usage and see that she has a cup of tea each morning. If the meter shows a deviance in her behaviour the company could alert me to it. It's about how you use insight, data and technology to deliver across touchpoints and it's about personalising the application and the use of data to help me. That's where the future is going," she says.

So do traditional loyalty schemes still hold any relevance? It seems yes, but their use is changing and, again, it's moving away from points mean prizes to schemes that give something more rewarding back, using data to improve the customer experience by better understanding

shoppers' buying habits and shopping requirements.

There are no points to collect in the myWaitrose loyalty scheme. Instead, the supermarket offers customers a free cup of tea or coffee every day, a free magazine, plus the chance to make extra savings on items and the chance to win £5,000 in vouchers every month.

Pets at Home has launched a similar concept with its VIP club that offers special discounts. By December 2013, it already had 1.5 million members, accounted for 40 per cent of transactions and almost half of all sales and was achieving its simple aim – allowing the retailer to better understand its customer.

Causon says this integration of loyalty with something extra is a growing trend. "Rewards ➤

80%

of consumers believe engaging with a brand emotionally influences their likelihood of making a purchase*

76%
of consumers carry between one and five loyalty cards with them at all times

Join the gang: Pets at Home's VIP club (below) and online dress rental service Girl Meets Dress (right) offer discounts to members

do have their place but it's about the balance of price and a good level of customer service. It's not just about if I purchase more and using data to sell to me, but intelligent interpretation of what I'm doing and using technology to be able to understand what it means for me," she says.

Companies such as Starbucks are increasingly introducing valuable data-driven loyalty schemes rather than the simple buy X get Y free. "Increasingly, loyalty schemes are seeking to be more personal and relevant to customers by using data about customers' preferences from multiple sources to create personalised offers," says Causon.

And from this, new models are evolving, such as subscription-based schemes linked to discounts and free deliveries. Examples include Ocado and Girl Meets Dress, where organisations offer discounts in return for subscriptions and gather customer data to enable them to continue to provide relevant offers.

Causon says the forward thinking are also adapting

loyalty models to the social media environment, too. "Heinz offers coupons to fans of the product if they recommend it to others. Another example is American Express, which enables discounts on products and services for customers who visit its Facebook loyalty page. Traditional loyalty schemes, such as Tesco's Clubcard, are also undergoing change, to link customers' spend to discounts and potentially, mobile services," she says

In the new age, data is key, according to Causon. "In a climate where loyalty is harder to earn, success will depend on using data flexibly and responsibly to offer customers services of genuine interest and relevance," she says. This trend for personalisation of offers itself helps the customer feel more engaged and cared for by the retailer – increasing loyalty as a result. Customers are loyal when they feel cared about. The challenge is proving you care. ■



Loyalty in the B2B sector Focus on outsourcing

Can RBS supply image of Sarah Harris?

In B2B, Sarah Harris, relationship director, Services at RBS, says strong personal relationships between suppliers and procurement contacts are key, rather than gimmicks

or points schemes. True innovators are realising the value in going beyond what's expected of them to win loyalty. "In the B2B world, customer loyalty is about having a two-way relationship with a high level of trust," she says.

She believes the rewards model doesn't work in the B2B sector. "It's a very different market. For a B2B company it's more about delivery of service and efficiency – making life

easier rather than an associated rewards programme," she says. A recruitment firm, for example, needs to listen to the brief and provide strong candidates, otherwise it will lose customers to rival firms. But if it produces consistently brilliant candidates and never fails to deliver, it gains trust – and this builds loyalty.

So Harris suggests focusing on the basics, using innovation to drive efficiencies for the customer or to make your offer as a supplier even more attractive with new value-added services. "Generally, only the first introducers of new ideas will get any initial benefit; as the innovation becomes mainstream it will be adopted by the market generally, so a company needs to have an innovative nature to continually stay ahead in

this regard. However, if a company is able to build a reputation for innovation customers may stay loyal in the expectation that they are a market leader. Apple is a good example of this," Harris says.

In the outsourcing world this is especially important. "During the recession, businesses were looking at where they could save costs. Now more than ever an outsourcer has to prove their value," she says.

This relies on an understanding of your customer base to enable you to provide the service that will make customers choose you over your competitors. And for B2B suppliers, which generally have a smaller client base than those in B2C, there is much to be won – or lost – by keeping those customers happy.