Loyalty: time for a rethink

In these tough economic times, brands must keep their loyal customer base engaged, but research shows global differences in how well consumer interaction is working

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At a time when much of the world is still struggling in the post-recession economy and with many sectors under unprecedented pressure, the focus for all brands is the same - how to increase customer loyalty, drive sales and boost profitability.

Technology is driving a significant shift in consumer behaviour, which is fundamentally affecting the way brands need to think about driving customer loyalty. The adoption of smartphones and tablets, the multi-screen consumption of media and the movement between devices based on the context of their use is fundamentally changing the way consumers interact and transact with brands.

The recognition of these trends is already being demonstrated by retail brands. The concept of 'clientelling' is being used in-store to leverage individual customer data preferences and technology to personalise the customer experience. For example, US retailer Neiman Marcus offers an 'Associate' app, which enables customers to engage with their in-store assistant, create wishlists and receive alerts on exclusive events. It also gives the sales assistants access to purchase history and Facebook photo identification when their most loyal customers are in-store.

Recent global research has reinforced that consumers continue to have high expectations for brands they are loyal to, with value for money and trustworthiness being most important to them. Therefore, the increasing trend of 'showrooming' is no surprise, as savvy consumers want to ensure they are purchasing products at the best price, regardless of their channel of purchase.

So how do brands increase their impact and improve returns on customer loyalty today, while future-proofing their investment?

To explore this shift and evaluate differences in consumer behaviour, ICLP commissioned global consumer research in association with Forrester Consulting across five key markets. The research, Crossing the Loyalty Chasm, enabled comparisons in behaviour to be made between consumers in the mature markets of UK and US, and the emerging markets of Brazil, China and India.

While the results illustrated that visiting the website and going into the store still dominate the engagement behaviours of all consumers, the ways in which consumers want to engage with a brand to which they are loyal, is changing. The trend in omni-channel engagement is only set to continue, with the line between on and offline blurring more and more. With consumers expecting a consistent brand experience 24/7, brands need to review how they are delivering value to their audience across channels and have an integrated strategy to deliver a seamless experience regardless of the touchpoint.

Consumers in emerging markets are leading the way in their use of newer channels for brand interaction: 35% of Chinese and 29% of Indian consumers have used a brand's smartphone app to engage with a brand to which they are loyal in the past six months, compared with 17% of US and 14% of UK consumers.

Looking at consumer engagement via social media, on average 55% of consumers in the emerging markets regard engaging with a brand on social media as important, whereas the average level of importance is much less for UK and US consumers, at 19%. In addition, an average 39% of consumers in Brazil, India and China had actually interacted with a brand they were loyal to using social networks in the past six months, compared with only 14% of mature market consumers.

This interaction is driven by Generation X and Y in all markets and the proportion is much more pronounced in the emerging markets where the under-35s account for 48% of social media interaction. This is only 21% for the mature markets.

This means brands need to have new media-based strategies to drive greater loyalty with consumers in emerging markets today and plan for how they can continue to secure the engagement and commitment of younger consumers tomorrow.

REWARDS DRIVE LOYALTY

An important element of the research was to determine what is most important to consumers in driving their loyalty and how they feel brands are delivering. The quantification of any gaps or 'loyalty chasms' would indicate the areas in which brands could improve and grow customer loyalty.

The results across all countries indicated that rewards are the most important driver of loyalty and remain a core currency of any loyalty strategy. With consumers wanting more instant and flexible rewards, and the ability to redeem rewards in different ways, brands need to re-evaluate the economics of their loyalty initiatives and programmes and balance their approach to deliver greater impact, results and return on investment.

One of the biggest loyalty chasms identified both in the US and the UK was the availability of instant rewards. A chasm of 25% was identified, with 75% of

Photo by Charlie Mayer

Neiman Marcus: offers an 'Associate' app that customers can use to interact with in-store assistants

consumers in the UK and 84% in the US saying instant rewards were important and only 50% and 59% respectively saying brands were delivering these. Being rewarded instantly was also perceived as important by consumers in the emerging markets of China and India, but the chasms were smaller (16% and 10% respectively).

Brands need to consider how they can offer more immediate rewards and tangible value for those customers who don't want to wait until they have accumulated points to be rewarded. The traditional 'collect and save' mechanic of reward programmes still has its place, but brands need to consider how to complement this approach and deliver value more quickly to customers for different types of interactions.

Consumers are also demanding greater control and choice over the way in which they are rewarded and how they can redeem these rewards. This was illustrated by significant gaps, particularly in the mature markets, where brands were not meeting consumer needs for customisable rewards (US 26% chasm, UK 21% chasm) and having coupons/rewards that consumers can use whenever they want (US 24% chasm, UK 20% chasm).

Further supporting the enthusiasm for new channels by consumers in emerging markets, the largest chasm in China (27%) and Brazil (35%) is the ability to redeem rewards in different ways, such as via mobile, with 83% of consumers in Brazil and 77% in China stating this was important to them. In comparison, only 27% of UK and 32% of US consumers regarded this as important.

Brands need to reconsider how they can give customers greater ownership and flexibility over the value they want to extract from their brand relationships. An example is the American Express ChoicePlus card which allows its members in Canada to choose where they want to earn double points from a select list of American Express merchants. This firmly puts choice and control into the hands of customers, making for a more tailored and personally relevant proposition.

LOYALTY INVESTMENT

Despite all of this, the commercial impact of achieving customer loyalty is still very clear. An average of 72% of consumers confirmed they would make a future purchase from a brand to which they are loyal, with UK and US consumers being most willing to repurchase (79%). However, on average, 71% of all consumers are still willing to switch to a competitor, with Brazilian consumers displaying the most promiscuous behaviour at 79%. UK consumers follow closely behind at 76%.

It is not surprising that consumers are prepared to switch their brand allegiance given the current climate. Companies are, therefore, having to work harder to keep their customers loyal and secure their future commitment to repurchase. What's more, the results show that only 22% of UK consumers would be prepared to pay a premium for their favourite brands' products and services. The comparative figure is 46% for Indian consumers, suggesting brands need to examine the perceived value of their offering in the different markets in which they operate.

Consumers in China and India are much more willing to encourage friends and family to buy from brands to which they are loyal, with advocacy levels of 75% and 63% respectively. Brands in these markets need to maximise this opportunity to help drive additional interaction and create revenue opportunities when compared with advocacy levels of only 38% of UK and 45% of US consumers.

Brands need to better meet consumers' expectations and deliver greater impact and value from their loyalty marketing initiatives and investments. The speed of change in both consumer behaviour and technology will continue to change and challenge the dynamics of customer relationships along with a brand's ability to influence loyalty and profitability.

Customers are increasingly demanding and want greater control of how they are recognised and rewarded. With the generation shift arriving imminently, the future of customer loyalty will be increasingly digital, interactive and data-driven as consumers continue to evaluate the way in which the emotional 'love' and rational 'commitment' they show to brands is recognised and reciprocated.

Closing the 'loyalty chasm' is essential if brands want to keep, and grow, their loyal customers. However, brands need to plan now for how they protect and future-proof their marketing investment to drive more loyal and profitable customer relationships.

more on brand loyalty at www.warc.com

Fonte: Admap, Washington, v. 48, n. 6, p. 44-45, Jun. 2013.