

Customer Loyalty – It's not just about a free coffee

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In an increasingly competitive environment, the growth and loyalty of a customer base is more important than ever. Customer relationships are key as companies seek to maximise opportunities, strive for the efficiency to retain and grow market share and increase profit margins. With this in mind, businesses need to find new and innovative ways to understand and engage with their customers. Retaining customer loyalty is vital for the development of more rewarding and productive customer relationships.

One industry sector in which this is particularly evident is retail, where blanket marketing to the 'average' shopper is simply no longer effective. Consumers have grown more discerning, and methods of retail marketing have evolved significantly. Shoppers today are bargain-driven, time-poor and, thanks to multi-channel marketing, subject to a barrage of offers on a daily basis that bestow the power of choice.

In an industry where dissatisfied customers vote with their feet, most retailers acknowledge that conducting business successfully takes more than brand awareness and product development. Equally important is the ability to gather customer data and apply it intelligently to both reinforce relationships with existing customers and build new affiliations. Understanding one's customers is the cornerstone of fostering loyalty between a business and its clientele and should be the basis for any customer engagement strategy.

One such initiative is the proliferation of customer loyalty or reward programs. Free airline points, special offers on clothing, discounts on books and CDs, even a 'smiley' stamp with every morning coffee – stores of all sizes have jumped on the loyalty bandwagon, seeking to engage consumers in a way that is positive for both business and clientele.

Consumers recognise that some programs offer more tangible and significant benefits than others. While more than happy to receive discounts and special offers, like a free cup of coffee, customers are unwilling to waste time with schemes presenting no apparent advantages.

Should retailers be any less mindful of how they stand to benefit from a reward scheme? Given the diverse nature of reward initiatives in the market, it is unlikely that all will present an equal wealth of opportunity, or that all retailers will capitalise on the valuable information that can be gathered through such programs.

Defining a successful loyalty program is rather like nailing fog to a wall. Conceptually, the loyalty program has many definitions and multiple layers. This complexity aside, loyalty initiatives offer more than a structure for consumer discounts. The purpose of rewards programs is to benefit retailers through repeat business and growth of customer base, ultimately boosting profit margins and enhancing market share. An effective loyalty program provides companies with information that will enable them to market to their customers and prospects more successfully.

Methods of collating customer data are as many and varied as the loyalty programs they are designed to support. Data collection, whether done at point-of-sale, via surveys, questionnaires, service and call centre information, or any other means, has a function. It is aimed at gathering useful personal, demographic and spending habit data to gain a more detailed customer view. Though this information is increasingly accessible, knowing how and when to use it strategically and intelligently is the key to maximising its value. Marrying that customer view with a customer's buying preferences allows for more precise, structured and strategic marketing. Additionally, other prospective

customers with similar traits can then be identified and targeted.

However, collecting, analysing and maximising the value of that data without the appropriate infrastructure can be difficult. Technology outlays can become significant, depending on the desired business objective, and the technology should deliver on its promise. A retailer should enjoy more tangible benefit from the implementation of a data collection system than repeat business alone – otherwise they are just giving away free coffee...

If you are a retailer with a loyalty program or plans for implementation, consider whether the results justify your investment. Are you able to track the success of each campaign, let alone the effectiveness of your solution? Can you detect changes in customer response at an individual store level? Does the process of data collection and analysis place an undue strain on your time, resources and efficiency, and increase your length of time to market? And most importantly, does the customer receive real benefit from participating in your loyalty program?

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