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# WHITHER CUSTOMER LOYALTY AND LOYALTY PROGRAMS

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# WHITHER CUSTOMER LOYALTY AND LOYALTY PROGRAMS

Ever thought that customer loyalty could also mean loyalty towards customers and not the other way around? We are no more in the world where the asymmetry of information favored the seller. The digital customer often knows more about the product features, prices of various brands and the price of the same brand at various stores these days, than the store sales persons themselves. S/he cannot be taken for granted anymore. The smooth talking car salesman or the fabled insurance salesman face extinction unless they reboot to the new reality, as will brands and retailers who take the customer for granted. It will soon be their turn to be loyal to their customer. The traditional kirana wallah (traditional Indian standalone grocery shop) understood and practiced loyalty to the customer very well even 50 years ago. Many marketers with college education probably did not, until very recently. Thanks to the coming of age of digital technology, the internet and Big Data, the shoe is now on the other foot. One place where the needle has not moved very much, barring a few exceptions, is Loyalty Programs, but it is the next thing going to happen.



picture. This is because the digitally equipped customer has obtained most of the required information on the product, its price, best deals, and reliable feedback from other customers quite easily and much before the encounter with the sales person even started. Often s/he knows a thing or two more than the store attendant. The other day, at a Croma store in Mumbai, the store attendant was not aware that there were special price promo on a certain brand of refrigerator and a cash-back on a particular credit card, and also that they could be combined. He had to be shown the scheme on the Croma website. To Croma's credit, the store manager agreed to honor the promo despite there being a contrary view that I should buy from the Croma website if I wanted the promo since online sales was a separate department. Some of them, probably, had not heard of multi-channel customer experience that the big boys sitting at the HO were working towards.

Many marketers faced with these new challenges, look to various sell-side strategies, tactics, and loyalty programs to get customer engagement. Alas, that may not be adequate to mitigate the challenge posed by the well informed and savvy customer. Old approaches are not going to work for long. The customer is seeking something of value and wants to be valued, but for that the seller needs to understand the customer and not treat him as one of millions of people who fell into some broad segment or the other. Now that the customer is leaving several digital trails on websites, in internet searches and on social media which can be tracked using tools and techniques to unravel the mystery of what the customer is doing, seeking,

Brent Adamson, Matthew Dixon and Nicholas Toman in 'Dismantling the Sales Machine', HBR November 2013, explain that the traditional sales machine which was predicated on efficient and focused compliance with defined sales processes, score cards, qualification criteria, and other well-oiled tools, is not working any more. Longer sales cycles, lower conversion rates, unpredictable results, and compressed margins are being reported. Why? Customers no longer depend upon guidance from the seller during the process. They have other means to get help. They are now looking for a different kind of experience when they purchase.

There is reason to believe that the most important part of the purchase process is no more concurrent with parts of the sales process and is increasingly happening much before the sales person gets into the



intending, etc. before and after the 'sales' encounter, why not take the trouble to understand his/her needs, intent, persona, habits, buying process, urgency or lack of it, post purchase experience in the past, etc. to engage with the customer even before the physical encounter happens? As the purchase basket gets increasingly commoditized, the choice for the brand or

the retailer is to be pushed to the other side of the counter and let price take over or to stay on the same side as the customer by providing convenience and other things that matter even if the product is almost a commodity, example automotive fuel. Fuel is a specification driven product that is branded but nevertheless commoditized. Fuel stations reckoned that they can avoid being commoditized by providing convenience and services, loyalty programs to make customers sticky. In Ireland, Topaz with 330 out-lets, sees itself as the country's largest fuel and convenience brand. It was cobbled together in 2005 from the retailing assets of Irish Royal Dutch Shell and Statoil



with new branding and positioning as they progressed. Topaz wants to make their network the preferred fuel station by providing all kinds of convenience purchase options. They go further to connect with their customers. Topaz Park or Play is an example of how a loyalty program can recognize that a customer is a person who does not just buy goods but seeks experiences. A customer earns points by shopping for fuel or whatever but then is eligible to play their monthly game with those points to win an experience of a life time. Like a trip to Mount Kilimanjaro or a trip to the Monaco Grand Prix or a shopping trip to NY with some spending money to boot, etc. If that is not your trip, you can park your point to play another time when the experience on offer interests you. In any case, everyone who plays gets a free coffee or whatever.

Topaz is not the only one trying to engage with the loyal customer by giving experiences that are valued. Aaron Carpenter, VP Global Marketing of North Face, reportedly said, "People don't just buy stuff. They want to buy experiences. North Face allows loyalty program members to earn points by buying stuff but also by just talking good about North Face in Social Media or by participating in certain events like running in the San Francisco Endurance Challenge". This represents a big opportunity for brands to do something special for their loyal customers and loyalty programs designed to demonstrate that they really care for the customer. If

the loyalty program is cleverly targeted, even better will the impact be. Today, with Big Data it is possible to precisely do that. In a white paper published by AIMIA, the world's largest loyalty program company, they say, "Building loyalty with Generation Y consumers requires a holistic approach, one that connects data dots between channels and touch points to provide a rich flow of customer insight into the business". It is logical that they will follow through by designing loyalty reward programs that unearth these insights and create targeted experience for their clients' customers. Should all loyalty programs incorporate rewarding experiences by understanding what experience will be enjoyed by each loyal customer of their client? In some sense, Yes but is that all that they can do?

What lies beyond experience? Anticipating experience, of course. The recently published research ('Waiting for Merlot', Psychological Science, June 30, 2014 by Thomas Gilovich, Amit Kumar and Mathew Killianstworth) shows that much more happiness is created in purchasing an experience than in purchasing a material product and also that waiting for an experience is much more pleasurable than waiting for a product purchase. Obviously, the guys at Topaz Play or Park knew something that many did not. It will not be long before leading Loyalty programs come up with some exciting and pleasurable targeted experiences and find means to engage with loyal consumers as they wait for their experience to be fulfilled. The means to do that already exist; the will to implement will follow soon at least at the leading Loyalty Program management firms. No one needs a reminder that an average American household has enrolled to 18 loyalty programs. The need to target, differentiate and be relevant has never been higher.



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YEARS

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