

ACHIEVING LOYALTY WITHOUT A CARD

Gaining loyalty from customers is no longer a matter of investing in a card-based scheme, but using data to reward the right behaviour

By Lucy Fisher

In order to create true loyalty among customers, many brands are beginning to think beyond traditional card-based programmes. They are instead focusing on loyalty across all aspects of their business, enabling them to better understand consumers' needs.

Nina Bibby, marketing and consumer director at O2, argues that loyalty is about more than any single programme, as it should permeate every touchpoint for customers.

The telecoms brand is using predictive analytics to get a better idea of consumer behaviour. "With Priority, for example, we use our internal analytics to understand which customers will be interested in music-related offers. At the end of last year, we saw a tenfold uplift in conversion through better use of customer data. This is an area where we are evolving our capabilities," she says. (see Nina Bibby's viewpoint, page 31.)

The rewards the brand offers are broad as a result. "For some, the £1 lunch on Mondays is most popular, for others it's access to gigs," she explains. O2 also partnered with Disney around the release of Star Wars: The Force Awakens, which Bibby says was popular, but adds that it is critical the offers are relevant.

Using predictive analytics

Although the temptation might be to focus on consumer loyalty, there are lessons to be learnt from business-to-business companies.

They tend to build customer loyalty into the overall experience by creating trusted, often long-term relationships, rather than relying on a plastic loyalty card.

Roger Watson, head of insight at telecommunications and IT company Daisy Group, says he has put a 'voice of the customer' programme in place, which uses text analytics and correlates it with other data to work out how to improve the customer experience. The approach is sometimes known as 'virtual loyalty' because loyal customer behaviour is identified without the need for a formal loyalty scheme.

"We have been doing this for around 12 months and have done a lot of work on churn. It is having an impact on our customer satisfaction scores," he says. "You can also look at people who have behaved in a similar way to work out who might leave next and then proactively approach those customers and incentivise them to stay in a timely way. It's about using predictive analytics to make tailored offers to improve the experience."

He believes that many businesses could make huge improvements to performance in this way. "Ensure the experience is good enough so that customers don't want to leave. People leave because they are unhappy," he says, "make it easy to give feedback. Do this constantly as part of your normal process."

Anna Kilmurray, head of marketing at credit report company ClearScore, believes loyalty is built through all aspects of the business. As consumers have logins for so many services, for example, she says brands should enable customers to be able to gain access quickly and easily. This came to light after the business discovered that around 30% of users did not log in after they first signed up, despite the brand spending money to acquire them through advertising.



“Rewards have got to be relevant. It must not be hard work to get them either. They have to got to be easy to redeem”

PETE MARKEY, AVIVA

The creation of an app and fingerprint logins has helped remedy the situation, she says. ClearScore launched last July and has nearly 1.5 million registered users.

Anthony Bruce, CEO at MasterCard-owned Applied Predictive Technologies, also warns that it is important to offer rewards in customer-specific situations that are aligned to business needs – so that a brand is not offering discounts or rewards when the customer was likely to spend the same amount anyway.

“You have to ensure you’re changing behaviour, not just offering the reward,” he says, pointing out that for this reason test and learn strategies are critical to success.

For instance, testing can be around the effect of offers in certain locations and discovering the situations where they work best – in terms of time of year, amount or product. “And it’s also important to disaggregate which kinds of customers responded,” adds Bruce.

Although he predicts that there will be a place for plastic loyalty cards for some time yet, he says the delivery of such schemes will increasingly be through digital channels. “That trend is very much afoot today and often new schemes don’t require the customer to have the plastic card with them,” he points out.

Joining online and offline date

Anastasia Roumelioti, head of marketing at Hawes & Curtis believes the way the industry has been tackling loyalty will change dramatically. “The customer needs to feel special. If they are loyal, there is a bigger reluctance to change to something that feels unknown,” she says. “We tend to underestimate the value of a brand and how it can make people feel.”

The shirt retailer had planned to launch a loyalty card similar to John Lewis or Jaeger after upgrading its systems, but after experiencing “lots of challenges with integration” over the past three months, the brand decided it could not wait any longer to start rewarding loyal customers, opting for a virtual loyalty alternative.

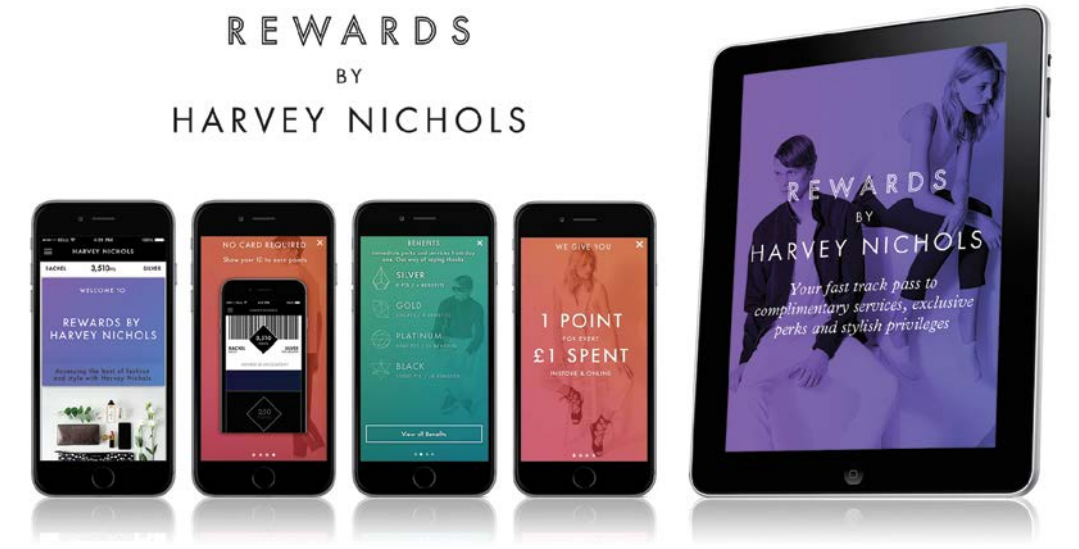
By joining up its online and offline transactional data, Hawes & Curtis has for the first time been able to get a single customer view and reward people accordingly.

“In the past, we have seen that customers don’t just respond to 10% or 20% off vouchers; they appreciate the fact that you value them,” she says. “It is about offering them experiences as much as discounts. So with one group, we are offering them a surprise as a reward, not just a product. Our VIP customers with high purchasing power are being invited to a private shopper event, for instance. We are also offering a surprise weekend trip.”

Although the brand still plans to launch a loyalty card, Roumelioti says the business will not rely on it heavily or penalise people for not having it to



CLEARSCORE USES FINGERPRINT LOGIN TECHNOLOGY ON ITS APP



HARVEY NICHOLS OPTED FOR ITS LOYALTY SCHEME TO BE MOBILE ONLY

hand. “It’s another branding tool, it’s not an operational tool,” she adds.

Activewear brand Sweaty Betty is also in the process of developing “a more sophisticated loyalty programme”, according to senior performance marketing manager Emma Rushe, who is working with Rakuten.

“To build this programme we are analysing a huge amount of data to identify a range of different elements, such as customer buying behaviour and customer segments, that will determine how we build the programme,” she says.

“Although digital continues to grow, now more than ever a single customer view and a loyalty programme that is cross-device and omnichannel is critical. We want our loyal customers to have the same high-quality customer service and experience

regardless of where they interact with us. This means we first need to ensure we have the connection between in-store and online that allows us to build out segmentation for our loyalty programme and then we need to personalise and tailor our content to support this.”

When Harvey Nichols launched its loyalty scheme ‘Rewards by Harvey Nichols’ in May 2015, it decided to deliver the scheme via a mobile app rather than a plastic card. Head of digital Kerem Atasoy says 80% of customers said they would prefer this option, adding that a mobile app is “more seamless”.

Like Roumelioti, Atasoy notes that experiences rather than goods are particularly popular when rewarding customers. “Whether it’s dinner at the Oxo Tower, a pedicure or a blow dry, for us experiences have gone down really well. It is about delighting the customer with something personally relevant,” he says.

For its VIP and top spending customers the retailer offers “super-generous experiences” such as tickets to the Monaco Grand Prix or the Cannes Film Festival.

Shift to mobile

Will Shuckburgh, managing director at one of the original behemoths of loyalty schemes, Nectar, points out that around 65% of customers who interact with the programme weekly do so on their mobile. “This is a big trend we have seen over the past few years,” he says. “But as for virtual loyalty there is nothing virtual about it; it goes back to trusted, long-term relationships.”

He explains that customers’ expectations around the ease of accessing rewards has changed. “Customers want instant gratification. And so we offer things like a free coffee at Caffè Nero [in exchange for points],” he says

Such ‘instant’ experiences are proving incredibly popular, he suggests, noting also that Nectar relaunched its app midway through last year, given the increasing focus on the mobile channel. It is also in the midst of a big marketing campaign that celebrates the ‘individuality’ of rewards.

Despite the shift to mobile, Paul Lewis, senior director of marketing at VoucherCodes.co.uk, does not believe traditional plastic loyalty cards will go away any time soon.

“What’s changing is the ability to connect across channels,” he argues. “This means loyalty programmes are increasingly omnichannel. Yet some we work with still have separate on and offline data sets. They do not have a single customer view.”

Pete Markey, who joins Aviva this month as UK director of brand communications and marketing, having previously been CMO at the Post Office, says loyalty programmes until recently have been “a bit blunt”. “I’ve been a Sky customer for 10 years and recently I received an offer from them that was all about sport. But I’m not into sport,” he says.

“Rewards have got to be relevant. It mustn’t be hard work to get them either. They have got to be easy to redeem,” he warns.

He also singles out O2’s Priority scheme, which uses data to serve relevant offers in the moment, as an example of best practice. “The future of loyalty is about immediacy and use of data. Where O2 Priority has gone, others will follow suit,” he says.

Personalisation is nothing new to marketers but consumers increasingly expect brands to deliver in this area. For this reason, Mels Wolf, personalisation manager, Europe, at Office Depot has been working with personalisation software supplier Monetate to ensure the brand’s messaging is relevant to consumers at any given moment in time, which is designed to increase the rate of return customers.

The brand is also working to ensure the correct messaging is displayed at the most appropriate time to drive actions. “This has been essential,” he says. “It enables us to be more effective.”



NINA BIBBY MARKETING AND CONSUMER DIRECTOR, O2

O2 Priority is the largest digital loyalty scheme in the UK in terms of registered and active users. It’s a huge part of how we approach loyalty. But loyalty is more than any single programme; it’s the sum total of what you do for customers.

More and more of our lives are in our mobile phone. It’s so important to make sure the [loyalty] app is as user friendly as possible and to ensure that there are multiple ways of redeeming. We’re now a five-star app in the app store and we are very proud of that. It is about making the navigation easy when you open it up, in terms of how offers appear and so on.

We also know that active Priority users are less likely to churn. We know this and can tie churn to hard numbers. We do econometric modelling so we know clearly the financial benefits of all of this. An offer is redeemed every 12 seconds and we know that these users are more satisfied, and less likely to change network.

The other thing for me – as CMO at a tech company – is that the human element is important. You have to make the customer feel special. Using insights and analytics can lead to loyalty beyond the card and it’s about how you marry the emotional and the tangible. It’s the combination of both; not the analytics alone. It’s how the rewards make people feel and how you deliver it. We’re very specific when we look for partners – we only look at areas we know are of interest to our customers, so that people feel surprised or special and feel that they are being rewarded differently.