

Bribery, coercion and manipulation

(or 10 ways to maximise customer loyalty)

Stand up if your company runs
a loyalty program

Stay standing if:

- you reward customers for their loyalty, tenure or value

Bribery is the practice of offering money, goods or services to a person to persuade them to perform an action

- you offer incentives to influence your customers' behaviour in some way

Coercion is an attempt to enforce a desired behaviour

- your program consists of a series of activities designed to keep your customer longer so you can make more money out of them

Manipulation is the exertion of shrewd or devious influence especially for one's own advantage

Introduction

Rewards are not bribery

'... loyalty marketing is a strategy, not a tactic. The reward is no more a bribe than a birthday present from your partner or a dividend to a shareholder is a bribe.'

- Terry Hunt, Clive Humby, Tim Philips

Scoring Points: How Tesco is winning customer loyalty

Rewards might be bribery

‘The difference becomes clear when you stop these rewards. If the activity continues, then its motivation, if they stop it’s bribery in one form or other’.

- Prof. Herzberg
(Motivational expert)

Rewards are history

"The days of points and prizes are long gone"

- Luc Bondar, VP Loyalty
Carlson Marketing

The loyalty program

Objectives:

- Retain customers / increase stickiness
- Protect revenue
- Reduce reliance on acquisition
- Increase value of our customers
- Develop a profile of our customers (segmentation, new products)
- Focus on profitable customers (deselect unprofitable ones)
- Reduce advertising costs
- Stock planning / merchandising
- Increased referral

Definitions of Loyalty

A strong feeling of support or allegiance

- *Oxford Dictionary*

A loyal customer is one who “purchases steadily from a company over time.”

- Profs W. Reinartz & V. Kumar
Harvard Business Review (July 2002)

Definitions of Loyalty

Loyalty is an abstract concept - there is no single complete definition of it. It comes in different types and different degrees.

Customers are loyal or otherwise for many different reasons: some are loyal from choice, some are loyal because both parties have invested time and effort in building a relationship, while some are loyal because their needs are met or exceeded, and others because the relationship is profitable to both sides.

- Peter Clark
The Wise Marketer

Loyalty influencers

- Fundamental delivery of core offering
 - Quality
 - Value
 - Service
- Demand elasticity/inelasticity
 - Competition
 - Geographic
 - Structural elements
 - Convenience
- Incentive
- Emotional
 - Satisfaction

Critical factors of a successful loyalty program

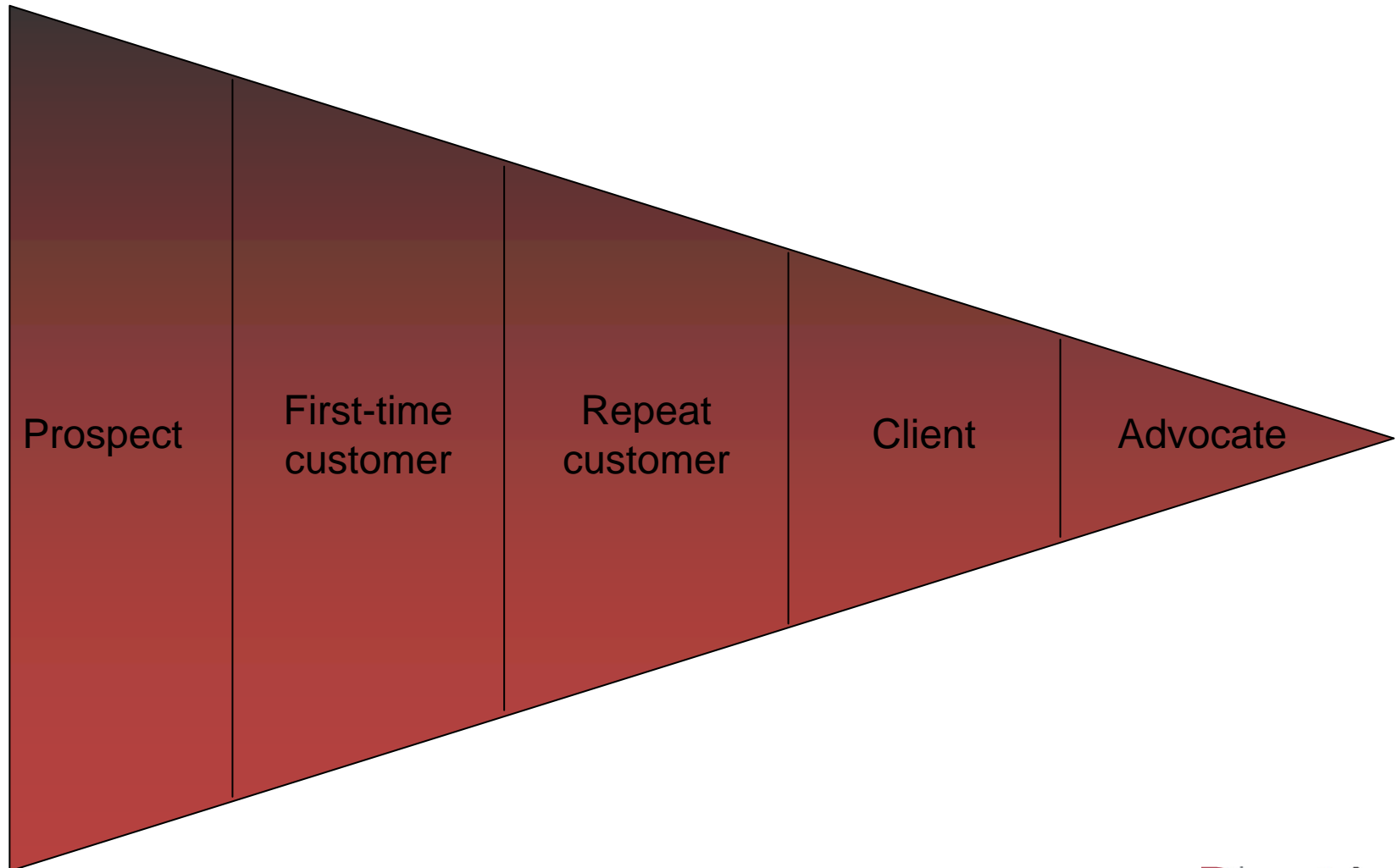
- Don't use a loyalty programme as a quick fix
- Know the difference between recognising and rewarding your customer
- Provide attractive and attainable rewards
- Reward the right behaviour
- Make life easy for the customer
- Empower your team and front-line staff
- Communicate with quality and relevance

Critical factors of a successful loyalty program

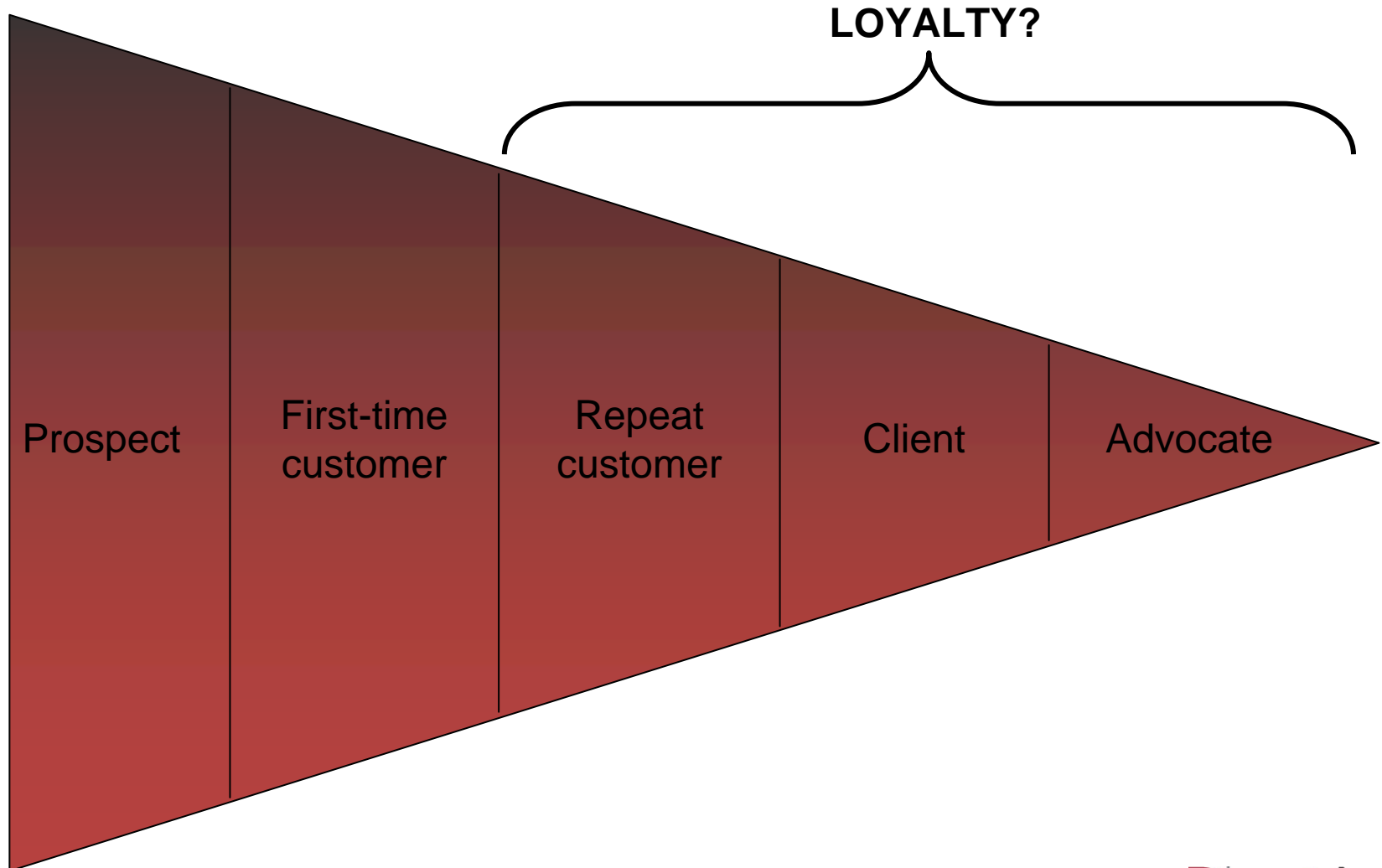
- Have unique benefits that competitors can't copy
- Keep it simple
- Know your customers and target them accurately
- Get real buy-in from them
- Measure the results

- Peter Clark
The Wise Marketer

The stages of loyalty



The stages of loyalty



The customer experience is key

“For the majority of loyalty card users in IGD's survey, the card itself was not the key driver in store choice, and shoppers considered it as a 'nice to have' extra.

“However, those who said they use it regularly also said they see a clear value in doing so.

“In fact, if the loyalty programme leads to better service and a strengthened relationship, then yes, loyalty is often engendered and nurtured, and the results are higher spending and more frequent visits.”

- IGD Survey

The customer experience is key

"Loyalty for us is an overall approach, starting with great customer service. From there it extends around products and services. With strong analytical tools, we can understand what drives loyalty."

- Joey Schultz, VP Marketing
BellSouth Corp

Build a relationship with your customers

- Establish a dialogue
- Allow them to tell you about themselves, what their interests are and what they want
- Find out how you can make their experience with you exceptional
- Reliant on your front line staff
- The personal touch
- Create advocates

The outsourced sales team

- Active supporters of you and your business
- Love your product
- Provide endorsement
- Will tell people about you
- Not necessarily your most profitable customers

Don't underestimate Word of Mouth

“To me, the most powerful indicator of the power of word-of-mouth has been in two food retailers that dropped their weekly newspaper advertisements more than five years ago, and have continued to grow and succeed ever since.

“Where did Dorothy Lane Market in Dayton, Ohio, and Superquinn in Dublin, Ireland, get their new customers? One has to assume that word-of-mouth played a key role.”

- Brian Woolf
Retail Loyalty Expert

The challenges of advocates

- They can be anonymous
- The drivers are different for different people
- You need to continue to meet their needs
- Not everyone will be an advocate

Do I need customer advocates?

- That depends...
- What are your objectives?
- What is your product?
- Who are your customers?

10 ways to maximise customer loyalty

- Deliver on the basics
 - If you can't consistently deliver the product you're selling, you have fundamental problems
- Exceed expectations
 - Don't settle for just delivering, go the extra mile, surprise your customers by doing something they don't expect
- Build staff loyalty
 - Customers buy relationships, recruit the right people then empower, motivate and retain them
- Develop relationships
 - Find out about your customers, communicate with them and let them communicate with you
- Establish a basis of trust
 - And protect it fiercely

10 ways to maximise customer loyalty

- Rewards have their role
 - Incentives form part of the customer experience. Make them relevant and ensure they lead to an improved customer relationship.
- Make them feel special
 - Employ the personal touch, particularly with your high value customers
- Understand the stages of loyalty
 - Recognise where your customer is and treat them appropriately
- Systems
 - Employ the systems you need to understand and communicate with your customers
- Build a base of advocates
 - Do these things for your customers and they'll reward you for it

Loyalty and Direct Access

Our special little challenge...

Suggested reads...

Word of Mouth Marketing – Andy Sernovitz

The Anatomy of Buzz – Emanuel Rosen