MARCH 2016

The Loyalty Post

It's Time: Build Your Loyalty Program's Strategic Evolution Roadmap

CONSUMER FOCUS

Customer centricity: Doing the right thing for the customer

MARKETING FEATURE

The impact of multiple channels on customer loyalty

FUTURE TRENDS

The New Rules of Building Customer Loyalty

LOYALTY & MORE

The Year of Loyalty Convergence

CUSTOMER EXPERIENCE

Maintaining the customer experience

WWW.THELOYALTYPOST.COM

CONTENTS

MARCH 2016

CONSUMER TRENDS: A fresh approach to understanding consumers

In today's consumer landscape, brands and businesses are hardpressed to come up with new ideas every two seconds, in order to keep up with fierce competition and fickle consumers. Staying ahead of the innovation curve is another challenge – the rate at which new techonologies and thought processes spout up across the industry can be overwhelming.

How to design the most attractive loyalty scheme for today's millenials? How to best use big data to create a seamless customer experience? Consumer trends offers a fresh approach to these questions that professionals face daily. Trends turn the overwhelm into opportunities – they helpyouunderstand consumers, so you can create innovations that will resonate with your target audience.

There are many definitions of a "trend" floating around. But here's the TrendWatching definition (and the only one you should pay attention to ;) – a consumer trend is a new way of serving a fundamental human need, want and desire.

Yes the world changes, and with an alarming pace too. But basic human needs – i.e. security, social acceptance, self-expression – don't change. However, because of the changes in the world– new technologies, shifts in social attitudes, changes in economic capabilities – the way people satisfy these fundamental needs are always evolving. These new ways of serving fundamental human needs are what we capture as consumer trends.

To illustrate this point better, think about the fundamental need for social acceptance and status. Fifty years ago, consumers wanted status, and they acquired it through their possessions: having a big house, driving a flashy car, or throwing lavish parties. Today, consumers still want status, but the way they acquire it has evolved.

One strand is a result of new technologies like smartphones and social media – consumers today can acquire status through the number of followers they have on their Instagram page. Another strand is influenced by shifts in the environment as well as consumer attitudes – a flashy car can still be a status symbol, but for some consumers, eco-friendly cars are the better alternative. At TrendWatching we capture these insights as two sets of consumer trends, coined BRAND ME and ECO-CHIC respectively.

These trends emerge as innovators address consumers' basic needs in novel ways. So signals of new trends are captured in business innovations – new products, services, campaigns and initiatives currently available in the market. Therefore, to spot trends and gain insights on consumers, start looking at other businesses and the innovations they are launching. These innovations are the building block that make up a consumer trend.

And more importantly, innovations give rise to emerging expectations. We live today in an expectation economy. An innovation from one company can change the expectations consumers have towards every other brand and business in the market.

For instance, Uber revolutionized consumer expectations towards how fast and efficient a service can be delivered. As a result, innovations are cropping up everywhere, promising all kinds of products and services delivered at the push of a button. Today there are services offering on-demand laundry, on-demand pizza, on-demand appliance repairs, on-demand beauty consultancy… the list is endless.

Note that the resulting innovations transcend industry boundaries, highlighting that emerging expectations and consumer trends are not restricted to specific industries. After all, consumers do not live industry silos, and brands should not either. Trends can be adapted and applied to create consumer-facing innovations, regardless of which industry you are in.

So what new way can your brand employ to address an existing need your consumers have? Remember that needs do not change; the way people satisfy them does. And innovations, as signals of change, give rise to emerging expectations. Your goal, as a brand professional, is to create new emerging expectations that others will scramble to address.

Understanding this concept of consumer trends gives you a new framework to approach innovations and the questions we threw around at the start. Stop looking at consumers through the lens of the newest buzzwords like "big data" or "the internet of things", and start looking at the newest buzzwordsthrough the lens of consumer needs and wants.

What are some of the new expectations emerging amongst your target consumers? Taking into account all the current shifts affecting your consumers, how can you use new technologies and tools (i.e. big data! the internet of things!) to address these expectations? How can you serve their basic needs in new, better, more efficient and/or enjoyable ways ?

About the Author

Acacia Leroy
Trend Strategist
TrendWatching Asia Pacific

Customer centricity: Doing the right thing for the customer

In most organisations, between 50% and 70% of internal effort expended doesn't add any real value to what the organisation is achieving for its customers? This seems a little alarming, giving today's increasing focus on internal efficiencies. But when you consider what people say about the calibre of customer service they receive from many organisations, perhaps these research findings are not entirely surprising. The question that Charteris asked itself was simple: What can be done to improve the situation?

NO SINGLE SECRET EXISTS

Nobody knows for certain the secret of creating a successful business. Indeed, there is no single secret of success. Businesspeople who have achieved success enjoy writing autobiographies in which they tell the stories of their business life. But they usually imply they saw everything coming and that their success story was pre-ordained apart, perhaps, from an occasional brief hiccup.

So can we ever really learn very much of practical usefulness from business celebrities' autobiographies? Probably not, because these books don't usually acknowledge the point that every successful business has - to some extent - been fortunate in that it was doing whatever it was doing at just the right time.

However, there are some extremely useful underlying strategies that can help. Some of these strategies offer new ways of getting real clarity on the ideas, approaches and tactics that work beyond even the most optimistic expectations. And one of the most useful, interesting, empowering and transforming strategies in the business world today is customer centricity.

UNPRETENTIOUS, AND HERE TO STAY

What's good about customer centricity is that it's unpretentious, it's not a fad, it's not clouded with jargon, and is generally opposed to all the things that can be so annoying about "management speak" and "flavour of the month" management concepts. In fact, it brings you back to basics.

One of the insights from customer centricity is that it's easy to forget why the business began. And this can apply to anyone at an organisation. Senior executives, and even board members, are far from being immune to it. Yet customer centricity, properly deployed, is much more than a mere antidote to this forgetfulness. At its best, customer centricity can transform an organisation into being everything the organisation should be, but which it can so easily fail to be.

DEFINING CUSTOMER CENTRICITY

The role of customer centricity in business is still evolving, though. But we do need a working definition, and an informal definition might be "the process of ensuring that every individual and department within an organisation is taking every step feasible to add value to what the organisation does for its customers".

It's also useful to work towards your own more formal definition, which includes details of the actual processes whereby customer centricity can be achieved.

The essential mindset behind customer centricity isn't new. Visit the open market at Marrakech in Morocco - or any other busy marketplace in the world, for that matter - and you'll see the concept of customer centricity at work (at least at the most successful stalls). It has, in effect, been around since the very dawn of business.

WHERE CRM FAILED

Our modern economy is more sophisticated than the market at Marrakech, though the need for making customers feel special is no less important. Our modern business economy likes to relate new strategic concepts to old ones, and so customer centricity is increasingly regarded as both a descendant and replacement for customer relationship management (CRM), which many still regard as a failed concept (even if the failure was largely in the execution rather than in the concept itself). But whether or not you agree that CRM was a failure, it's difficult to be convinced that the CRM approach of regarding quality customer service as something you can instil in an organisation by installing a piece of software is really going to work, unless you were highly customer centric already. The problem with CRM systems is that they tend to 'gloss over' an organisation's deficiencies in the area of customer service.

This causes a double problem: there is less return on the large investment in the CRM system than might otherwise have been the case, and the underlying problems go unresolved.

Customer centricity, however, does not come packaged in a box, and it isn't something you can pay someone to install and then go back to going about your business pretty much as you did before. Instead, customer centricity is an entire strategy for running your organisation so that you focus every aspect of what you do around the needs of your customers.

As the business and IT consultancy Charteris defines customer centricity, it is "the alignment of organisational structure, processes and technology to deliver products and services to internal and external customers in the most agile way". Note that, in this definition, the technology angle is just one part of the story. And perhaps the most important point to make about customer centricity is that to become customer centric an organisation really does need to look hard at crucial factors such as its culture, processes and ways of doing things before it brings in new technology that is designed to facilitate customer centricity. Becoming customer centric is not just an item on the agenda of a board meeting... it is the agenda. It's also - for those who may have forgotten - why you're in business in the first place.

When organisations first start trading they usually have the very clearest idea of what they are in business to do, who does what, and why. Every person involved in a start-up will know how they add value to the finished product or service and who they need to work with internally to make sure the best service or product is delivered to customers. They will know this because looking after the customer is why they set up the business in the first place.

LOSING TOUCH THROUGH GROWTH

But when the business succeeds it grows. To start with, as it grows, the founders and the new staff may be able to keep alive the flame that embodies the spirit of why they are in business. But sooner or later, somewhere along the line, the flame will diminish or even go out completely, as the clarity of why you are in business fades. Once that clarity starts to fade, customer centricity fades with it.

As organisations grow in, size a curious effect almost always occurs: Staff members start to look inward, worry about their own internal departmental issues and become more and more remote from the actual agenda of the customer. Staff begin to create internal processes and agendas that have little - or may indeed have nothing at all - to do with adding value to the external customer. It's common for whole new business areas and departments to be created to deal with and manage these internal issues.

Of course an organisation that is getting bigger needs internal departments if is going to function properly. An organisation consisting of half a dozen people doesn't need a Human Resources department or an IT department, while an organisation with perhaps 75+ people certainly does need them. And people work for job satisfaction, too. Generally speaking, people prefer to do a good day's work than a bad day's work. People like taking some action that directly or indirectly involves them looking after customers because it makes them feel that they're doing a good job. The trouble is, too many large organisations forget this, and don't give their staff the opportunities or encouragementto look after customers properly. This problem applies particularly to staff working in internal departments that don't have a direct interface with customers, though it often applies to customer-facing departments too. And because people in those internal departments perceive that the organisation doesn't empower them to take steps to understand their role in looking after customers, they start to drift and lose focus at a motivational level.

ALWAYS ADD VALUE

The best way to ensure that you deliver what the external customer really wants is to make sure that each step in your customer chain adds value to whatever is eventually delivered to them. In practice, within a large organisation, it is almost inevitable that most of the departments will not be customer-facing. And here the very size of a large organisation can conspire against it being successful. The organisation needs to be certain, at all times, of what every individual person and every department is doing that adds value to the paying customer by providing top-quality products and services to customers directly or by doing things that directly facilitate the provision to customers.

The remedy is to achieve agility in how the organisation is run, and how every element in the chain links together. Make sure everyone knows who their own key internal and external customers are, and what products and services each of them needs (and are prepared to pay for, in the case of external customers). Take steps to assess whether your customer chain is delivering products and services most effectively at the lowest cost. Be ready to start making your organisation customer centric from first principles, and be adamant that you won't paper over the cracks in those parts of your organisation that aren't agile and flexible enough to demonstrate very clearly the role they play in the chain.

PREPARING FOR CHANGE

Above all, be honest and prepare yourself for long-term incremental change. Build a group of stakeholders from all levels who understand the concept of customer centricity, what it requires, and who can preach it to others. Ultimately you will need to drive the customer centricity concept and principles throughout all aspects of the business including strategic vision, people, process, organisational structure, information and technology.

You can grow customer centricity within your organisation on a department by department basis: you don't need to do it all at once. And when you are ready to implement the technology, you'll find there is plenty of great technology out there - systems for workflow management, enterprise resource planning (ERP), database management, business intelligence (BI) tools, and so on.

But remember that, deep down in your organisation, the chain that will delight your customers and your shareholders may possibly already exist, obscured by internally focused organisation design, poor process, inappropriately deployed technology, and perhaps even a lack of vision. Liberate that chain, and watch your business grow again.

EIGHT STEPS TO TAKE NEXT

Charteris recommends a simple eight-point plan for maximising customer centricity within an organisation:

- Identify who your primary and secondary customers are.
- Identify the products and services they consume and through which channels (web, call centre, bricks and mortar and so on).
- Work out where the crucial 'points of addition' occur in adding value to those products and services.
- Make sure each of the business areas involved in these points of addition know how they - the business areas - add value to these products and services
- Align the organisational structure to support these points of addition.
- Minimise the activities that don't add value to what the customer is getting from the organisation.
- Ensure that the correct measurements maintain and improve the processes.
- Support where appropriate with technology solutions

About the Author

Stephen Hewett

The strategy of customer centricity is a well accepted method of winning customer satisfaction, loyalty and even increased profits, argues Stephen Hewett of consultancy Charteris. But where to begin?

The impact of multiple channels on customer loyalty

There are many more communication channels available today than there were before the rise of interactive and electronic media, but how should they be handled, and what effect will they have on customer loyalty?

Even in the past two years marketers have found a growing number of innovative ways to reach consumers, whether at home, at work, or at play.

Communication with consumers and other businesses can take place by mail, telephone, fax, text message (SMS), multimedia message (MMS), computer games, television, films, radio, mobile sales units, in-store teams of brand representatives, focus groups, leaflets, newspapers, free-standing inserts, coupons, e-mail, instant messaging (IM), voice over IP (VoIP), internet chat rooms, web sites, bulletin boards, online communities, and even other internet-based systems such as video conferencing and meeting sharing systems. Each has different cost implications, complications, emotional connotations, and perceived benefits or risks to the consumer. Each brings its own challenges in terms of finding the right frequency, message, tone, voice, relationship-based permission, and value proposition.

With each channel of communication comes a unique set of challenges: as a rule, consumers don't like junk mail, or 'spam' (unsolicited commercial e-mail), or unsolicited sales telephone calls. They complain about faxes wasting paper, and they don't want their mobile phone invaded by irrelevant advertising text messages. They don't want to run up bandwidth bills for receiving unwanted MMS communications on their internet mobile phone, and they don't want their PC's instant messenger program popping up unwelcome advances from companies they've never dealt with. The list goes on. But the good news is that there are ways, means, laws, and ethical practices that cut through the communication barrier for all of these channels, allowing you to communicate and build relationships with existing customers and sales prospects alike.

IT'S ALL ABOUT BEING MULTI-CHANNEL...

As consumers become used to the convenience of getting whatever they want, whenever they want, wherever they want, and by whatever means they want, the importance of both multi-channel presence and multi-channel communication with customers has never been as great as it is today. Yet some companies - even large retailers - continue to ignore one channel or another despite it being an 'accepted norm' that consumers are unwilling to forego, even for better or more personal in-store service. The most common example of this is retail stores that stubbornly refuse to adopt the internet for either communication or transactional e-commerce applications.

Communicating a multi-channel message to your customers has the power to inform or to confuse, to make or break a sale, and to build up or kill off customer loyalty. For years we have seen a constant drive by retailers to introduce new delivery mechanisms to broaden customer reach. This evolved from the traditional bricks-and-mortar to home shopping by catalogue, and started to reveal issues that would be addressed by retailers as new channels matured.

First came the catalogue. It was difficult for traditional retailers to envisage how this new channel would work in unison with their existing infrastructure. So instead of tackling the issues of integrating the two platforms, they simply made a carbon copy of the existing business unit and labelled it 'Home Shopping'. Unfortunately, since these business units were separate entities, they often viewed each other as competition and attempted to cannibalise the company's potential revenue and customer base.

THE BIGGEST MULTI-CHANNEL LESSON

Next came the interactive channels. Cannibalisation grew to unmanageable proportions with the introduction of the internet, interactive digital television, mobile commerce, and even console technologies. What used to be a semi-controlled argument between two business units grew into a replication of disconnected units. The whole lesson about the importance of multi-channel presence in retail is this:

"Customer loyalty must be based on value and service, and be toward the brand, not the channel"

Customer engagement is always threatened when different channels give different messages about price, availability, product delivery and returns, and product information. Eventually, many retailers spotted the problem and back-tracked to a more manageable situation to help consumers deal with them more consistently, regardless of which channel they wanted to use. Nobody wants to have to check the web site, high street store, home shopping catalogue, and newspaper adverts just to find the cheapest way to buy something from the same retailer.

HOW CONSUMERS WANT TO DEAL WITH BUSINESSES

The 'more channels' approach to multi-channel retailing is in danger of ignoring the critical part: the customer. Customers were not sitting twiddling their thumbs while retailers developed their strategies. They have become more sophisticated and expect a retailer to recognise them, however they interact with that retailer, and then respond appropriately. For example, customers expect to:

1. Use loyalty cards, store cards and gift vouchers through all channels;

2. See consistent (or understandable) ranging, offers and pricing;

3. Get updates pertaining to special orders when they talk to the call centre;

4. Return products to stores that were bought online;
5. Check and reserve store stock through other channels.

THE KEY TO MULTI-CHANNEL LOYALTY

A common, integrated message is the key in multi-channel communication. A classic example of this going wrong - and reducing a customer's loyalty - is when a customer registers their new home address with the call centre but three months later is still receiving marketing materials and statements at their old address. Another example is when a retailer's web site sells a Deluxe Widget for US$100 but it's on special offer in the same retailer's stores for US$75. After buying online, what can the consumer be expected to think when they find it in the store at of the store at a 25% discount later the same day? The natural result is that the consumer is encouraged to shop around within the brand, which naturally leads the average consumer to shop around outside the brand, seeing as they already have to work harder for a lower price.

It is also important to understand the customer empowerment these channels provide. Previously, consumers would enter the store and decide on the make and model of product desired, and then go home with their purchase. Today, they will first research (or be inspired) on the web, then visit the store to touch and examine the product, and engage with it on a more physical and even emotional level. Then they will return to the web for further price comparison, then order it online or by phone for local pick-up or delivery, and expect to be told when the delivery will happen.

It will show you exactly how to use customer data to increase profits, reduce churn, and increase frequency, spend, and share of wallet. See how and why others have already succeeded, what works, and - more importantly - what doesn't work. The report's full executive summary, table of contents, downloadable samplers, and pricing/ordering are all available online

About the Author

Peter Clark is a loyalty systems specialist with over 20 years experience in designing, specifying and implementing database, customer marketing and customer relationship management solutions, and 8 years of marketing journalism experience. Peter implemented his first leading-edge CRM system in 1997 and has continued to adapt, refine, test and analyse the latest concepts, tools and systems for customer loyalty programmes.

Understanding Customer Needs Creates Loyalty

Have you ever received a promotional offer to purchase a new car after you made a new vehicle purchase? Or, what about receiving information on a furniture item sale when you just made multiple furniture purchases for your new home? This common occurrence hurts consumers' relationship with retailers, but can easily be solved by using data to target more relevant communications before, during and after a purchase.

Marketers need to unleash the power of data to understand the consumer's lifecycle and what their current needs are. Using external information and predictive techniques have been proven to increase the efficacy of your marketing campaigns, reduce wasted advertising budgets, and even more important, increase the retention and engagement of their customers.

Retailers who lack transaction history of new or repeat customers are challenged with understanding where customers are in the purchase cycle, significantly limiting their ability to deliver relevant messages. For example, according to Epsilon's Q3 2015 email trends and benchmarks, retail apparel companies have an average email open rate of 26.1% and a 3.5% click through rate. This compares to a 43.1% open rate and 3.5% open rate for general retailers. General retailers benefit from more product categories, more transactions and more insight on the next best product to offer customers in their communications. For apparel retailers who may lack a lot of transactions and product SKUs, it's harder to predict the next best product to offer or message to deliver. A less relevant message will disengage customers, and they will seek out a retailer who 'gets' them.

Retailers looking to move the needle in their communication efforts need to leverage third-party data and insights to get a complete view of the customers they are trying to reach. On average more than 80% of customers identified at point-of-sale and online tend to buy from more than five different specialty retailers in the calendar year, while the top 20% of these consumers buy from more than 25 retailers (Epsilon's Abacus® Cooperative Data). Having this insight helps marketers plan their communication strategies and increase loyalty by having a more rounded view of their customer's interests and likelihood to buy.

Put yourself in your customer's shoes. For example, if a household recently purchased a new dining room set, the furniture retailer should send a follow-up communication creating awareness about the available accessories that 'complete the room.' Don't lose your customer to another retailer who sells ad hoc home furnishing items and has the insight to market to your customer at the right moment. Focus on one-to-one communications about the enhanced décor items that are desired and needed by the consumer. It's determining how you can sustain loyalty following the purchase.

As you are communicating with consumers post purchase, remember to develop a contact strategy based on the consumers' specific product lifecycle. Marketers need to think about:

• **Frequency of communication:** To help determine the frequency, marketers need to develop and implement models that provide insight into customer preferences as it relates to cadence. This cadence should be decided at an individual level to optimize opens, clicks and purchases and minimize list attrition (unsubscribes), or disengagement (no longer opening emails).

• **Repeat purchase rates:** By leveraging external data insights, marketers can understand how often consumers repeat the purchase of their preferred items. Apparel has a higher repeat purchase rate than furniture. So in reviewing these trends, make sure to rely on very specific external data trends as you likely do not have 100% wallet share of your customers. Ensure you are benchmarking to a group of relevant companies.

• **Need for future products/services:** Data helps to predict the future purchase history. You may have just bought a dining room table. What is the point of re-promoting another one? Focus on the sideboard, a mirror or the chairs instead, and your data can predict that.

By thinking about your customer in this new way, and, combining data sources via both digital and real-life actions, you will have greater intelligence about purchase behavior and effective communication methods to drive future purchases.

Developing a loyal customer means that you need to understand if you are their only provider, their preferred product provider, or their most frequent provider. And, it's important to create a comprehensive customer profile to help you understand purchase activity overtime and deliver relevant communications that will result in incremental gains.

It's Time: Build Your Loyalty Program's Strategic Evolution Roadmap

It has been my privilege to directly engage with loyalty marketers in India over the past 5 years. I am continually struck by the vibrancy and agility that Indian marketers deploy. Given India's lack of 'legacy' platforms, entrenched POS systems and long-standing organizational hang-overs, things move fast in India.

On my last trip to India during the 2016 Loyalty Summit on February 3rd and 4th, I realized just how much of a 'flip side' this tendency can have, though.

No fewer than 4 Indian organizations I talked to have radically altered their program structures over the last 24 months.

While all good loyalty programs should evolve over time, I fear that many of these particular changes are being made reactively – instead being made upon conscious, strategic grounds. Instead of immediately changing your program's tactics the next time a competitor launches a program or an executive asks about the program's performance, my best advice to you is to, first, just take a deep breath. Second, embark upon a full strategic review of your program's future evolution roadmap.

But what does that really mean? Here are 5 key steps to get you started:

1. Assess alignment with evolving company KPIs. Do you fully understand how your executive team's key business targets are changing? Now is the time to articulate how your current program – and your future vision of the program – makes a direct contribution to achieving those goals. Chances are good that some well-timed tune-ups are called for. For example, if your company is expanding your product/service selection, how will your rewards & benefits structure encourage customers to make a trial purchase in those categories? An example in practice in the U.S. is how Macy's offers members continual double Plenti coalition points for making higher-margin cosmetic & fragrance purchases.

2. Assess the competitive 'white space' that you can own over time. What opportunities can you exploit to stand apart from your industry competitors? While offering distinctive alternatives may require special technology or service delivery investments, a cohesive plan to 'grow into' a way to deliver something unique to your best customers can differentiate your brand. For example, after just over 6 months in-market, Walgreen's wanted to reinforce their commitment to healthier living. So, they enhanced their Balance Rewards program to allow members to link their preferred health/fitness app or fitness monitors like FitBit to their program profile. In this way, members earn extra Balance Rewards points for healthy behaviors such as 20 points/mile walked.

3. Assess evolving customer needs & 'pain points'. Do you fully understand your customer's 'wish list' for more fully engaging with your organization? Are there certain roadblocks that make buying from you more difficult than it should be? Or, are there particular improvements that could streamline the buying experience? This requires extra focus to hone in on the most impactful innovation. But, done smartly, the impact on your overall brand engagement can be notable. For example, with particular insights into the ordering frustrations of their Dubai customers, Red Tomato Pizza created The VIP Fridge Magnet that allows their best customers to reorder their favorite pizza with just the convenient touch of a button.

4. Assess a diligent picture of the cost/benefit tradeoffs.

Introducing innovative perks & privileges is one thing. But, do you know how much it will cost you to implement them, deliver them consistently to members and what incremental impact it is likely to have on your customers? A sound business case is a must – especially when evolving a program's structure. For example, several traditional U.S. retailers have over-reacted to Amazon's wide deployment of free on-line shipping through their Amazon Prime membership offer. Now, some of those same retailers are realizing the steep cost per order – and exalted sense of customer entitlement – that comes along with introducing such a benefit.

5. Finally, assess the best validation & implementation roll-out plan.

Even after all of this strategic diligence, an organization must structure a proper test & measurement plan to validate that the new & improved program structure meets your financial & customer engagement goals. For retailers, a well-structured test in a pilot market compared to a carefully-selected 'control' market is often the best approach.

Once validated, give special consideration to how to roll out the enhanced program. There are numerous issues at play upon rollout, of course. But, two rules-of-thumb that will serve you well are:

- **'Pull the band-aid off all at once'.** It rarely serves your customers -- or your company -- to slowly doll out the new rewards, perks & privileges. Instead, bundle them together and introduce them all at one time.

- **Vigorously promote the 'new & improved program'.** While it is rare that there won't be some discontinued benefits that a segment of customers might miss when you evolve your program, don't apologize for your enhanced program structure. It is much more effective to confidently introduce the 'new & improved program' highlighting the most relevant new features instead.

Evolving your loyalty strategy to keep customers engaged & meet evolving organizational imperatives is a must. But that is no excuse to make structural program changes haphazardly. With some diligence and foresight, a well-structured strategic evolution roadmap will keep your program on the path to sustainable success.

About the Author

Kelly Hlavinka
Loyalty Consultant
Advisory Board Member, Strategic Caravan Intl. Pvt. Ltd.

Consumers Want In-store Customer Experience to Match Online

Consumers love the convenience of the online shopping experience. But, that convenient and quick customer experience isn't always the same in-store.

New research from Accenture reveals that more U.S. shoppers are planning to make purchases from physical stores, which is the good news. The bad news? The survey shows that 40% of respondents ranked improving the in-store shopping experience first, compared to just 16% who said the same of online shopping.

Accenture surveyed 750 adult consumers, and 21% of U.S. shoppers said they plan to increase their in-store purchasing, up from just 9% of shoppers in the previous year. But, that in-store experience has to match the online customer experience.

"The survey results indicate that retailers have an opportunity to increase in-store sales, but only if they make the experience worthwhile for consumers," said Chris Donnelly, global managing director of Accenture's Retail practice. "Consumers are looking for the conveniences of shopping online, such as information on product availability, to be available in-store. The lines between the different shopping channels are blurring, but the good news for traditional retailers is that the store continues to play an important role. In order to ensure that they offer shoppers a seamless retail experience, bricks and mortar/high street retailers must work hard to differentiate the shopping experience they offer compared to the online pure-plays."

Here are some key trends Accenture identified in the survey:

Bringing the Online Experience into the Store

More shoppers are looking to take advantage of seamless retail services involving the store: In the most recent survey, 19% of shoppers said they are using "click and collect" services (reserving or buying an item online and then traveling to a store to collect it) more often than in the previous year, compared to 12% who said the same in the 2012 survey. Additionally, more shoppers (14% compared to 7%) are buying in-store and having the product shipped to their home. The ability to check product availability online before traveling to a store is the service that would most improve the shopping experience for 31% of U.S. shoppers surveyed. And, the vast majority of respondents (89%) said they would either travel to a store to make a purchase or buy online if retailers offered real-time information on product availability.

Showrooming vs Webrooming

Shoppers are "webrooming" more than "showrooming" across all product categories, except grocery. Accenture's study found that 78% of U.S. shoppers had webroomed (browsing online and then going to a store to make their purchase) in the 12 months before the latest survey, while 72% had showroomed (going into a physical store to see a product and then searching online for a better price and making their purchase online). The proportion of shoppers who engaged in webrooming for making consumer electronics and home improvement purchases increased significantly from 2012 – from 39% to 48%, and 25% to 35%, respectively.

Product Delivery: Free Beats Speed

Regardless of whether they are buying from an online pure-play or a multi-channel retailer, Accenture's study found that more than half – 57% – of respondents said that waiting for free delivery was the most important delivery option, compared to 23% who preferred to pay a reasonable charge for next-day delivery. Of those shoppers looking for next-day delivery, only 38% said they were willing to pay more than $10 for that convenience, and 14% said they believe the service should be free.

However, more shoppers expect the length of time they have to wait for free delivery to be reduced. In Accenture's 2012 study, just 25% of respondents said they expected a free-delivery purchase to arrive within one to five days. In the latest survey, that number jumped to 44%.

"Services from the online pure-play retailers that offer faster delivery in return for an annual subscription, are having a profound impact on shoppers' expectations," Donnelly said. "Free delivery remains a crucial factor for a significant number of shoppers but they are not always willing to wait as long to get it."

Amtrak and SSI Team Up for Improved Loyalty Program

Passenger rail service leader Amtrak, already home to the popular Amtrak Guest Rewards loyalty program, is going the extra mile to provide members with additional opportunities to earn points.

In a move that benefits both the brand and its customers, Amtrak collaborated with survey research company SSI to develop Survey Points Club, an addition to Amtrak Guest Rewards that allows guests to earn points for sharing their opinions about the Amtrak customer experience. These points can be redeemed for Amtrak travel, entertainment, car rental, hotels, dining, retail, and even gift cards. There's no fee to sign up for Survey Points Club, and the points will be deposited directly into the user's Amtrak Guest Rewards account.

"We are pleased to offer the new Survey Points Club in partnership with SSI," an Amtrak spokesperson told Loyalty360. "It adds to the value of our program by giving members a fast and easy way to earn Amtrak Guest Rewards points that they can use for free travel and other program rewards. Members agree to participate in surveys on a wide range of (non-Amtrak related) brands and products. In exchange, they earn points they can use toward their next free trip. SSI and their clients then have access to survey those members for their valuable opinions. It's a great partnership for all, especially our members."

Beyond offering loyal travelers with added value, the Survey Points Club provides Amtrak with valuable customer insight on a variety of topics. Data has proven to be a fundamentally necessary commodity in today's business landscape, offering brands a look at company interactions from the other side of the table. By gathering and analyzing this kind of actionable customer data, Amtrak will ideally be able to tailor the customer experience, according to the verbatim wants and needs of its consumers.

The new Amtrak Guest Rewards feature is powered by SSI's inSSItes solution, which allows companies to easily conduct surveys and organize the resulting customer insight.

"For SSI, working with Amtrak is yet another significant step in fueling the high-powered engine of the fastest-growing B2B panel in the world," said Bob Fawson, chief product officer at SSI. "This relationship will enhance SSI's growing global B2B inSSItes solution, the industry's preferred choice for conducting business survey research. There's only one Amtrak and SSI is proud to be the first survey company to partner with it and its reward program members."

Amtrak will have no shortage of travelers to survey; the company operates over 300 trains every day, connecting 500 destinations across the U.S. and Canada.

Why Starbucks Is Overhauling its Loyalty Rewards Program

Starbuckshas one of the most successful loyalty programs in the world of retail and restaurants, with over 11 million active members.

But the coffee chain is overhauling its "Starbucks Rewards" program in part to fix a problem that has bedeviled it for years: slow service at the cash register.

Under the current program, Starbucks awards members one star per visit regardless of how much is purchased on a given transaction. (Twelve stars gets you a free drink at Starbucks.) But as of April, members will get 2 stars per dollar spent, irrespective of the number of transactions, granting members what Starbucks said was their biggest complaint with the program. (The scale will change so that customers will get the same payout in terms of freebies, the company said.)

Starbucks was finding that many customers were asking baristas to ring up one item at a time to collect more points for a given transaction, creating delays at check out.

"That is challenging for customers who are forced to wait and to our baristas who have to perform extra work," said Chief Strategy Officer Matthew Ryan said on a media call with reporters.

That adds costs by extending the transaction time. Ryan estimated that 1% of total Starbucks transactions are from customers "splitting" transactions to get two or three stars for a transaction, rather than one. "This new program will remove this distraction from our store operations," he said.

There is a lot at stake for Starbucks—about one customer in six is a loyalty program member, and such members spending three times more at Starbucks than the average. (Starbucks has 75 million customers per month in the United States in all.) And Starbucks Rewards fosters store visits and allows the company to personalize offers.

"We know that our loyalty program continues to add to the overall momentum of our U.S. business," Chief Financial Officer Scott Maw said on a media call with reporters. He said that the new program, combined with its new mobile ordering feature are two reasons why Starbucks' sales growth forecast this year is above its long-term projections.

Maw and Ryan said that the payout would remain about the same for customers. For instance, a gold member will need to spend $62.50 (or 125 stars) to get a free coffee under the new program, introduced Monday. Under the old program, it was twelve transactions that did the trick—and the average transaction at Starbucks is $5. The program how ever is likely to penalize customers who come in frequently for small ticket items, news that sparked some grumbling on social media.

Starbucks is betting heavily on the program to generate store traffic so it is being careful not to irritate customers or make them feel the new program is less generous. The company is extending the ways in which members can earns stars, including for instance buying Starbucks Coffee at a supermarket or a drink at Teavana, its tea chain. And it is making tweaks like giving members a chance once a month to get quadruple points.

25 percent of cards downloaded via Apple Pay are store and loyalty cards

Because we can't get enough of survey results involving the intersection of mobile payments and loyalty, here's another mobile payments snapshot courtesy of First Annapolis. Focusing on iPhone 6 users, the report reveals that while awareness of Apple Pay is high among consumers, regular users of the service are harder to come by. Of those consumers who have downloaded and linked cards to the platform, a full 25 percent of them have downloaded store cards and loyalty cards.

In December 2015, First Annapolis Consulting Inc. interviewed 580 iPhone 6 users, as part of a total sample of approximately 1,300 household financial decision-makers and smartphone users, about general consumer payments usage and awareness. Here are some key findings from the survey:

Awareness of Apple Pay is high. Among all survey respondents, 73% have heard of Apple Pay, while awareness jumps up to 84% for the sub-group of iPhone 6 owners.

Usage of Apple Pay has plateaued. 20% of iPhone 6 owners reported adopting Apple Pay (i.e., having used the service at least once), down from 22% in the Spring survey. Among those that have adopted Apple Pay, only 15% say they use it regularly or frequently (i.e., more than once per month), compared to 19% in the Spring survey.

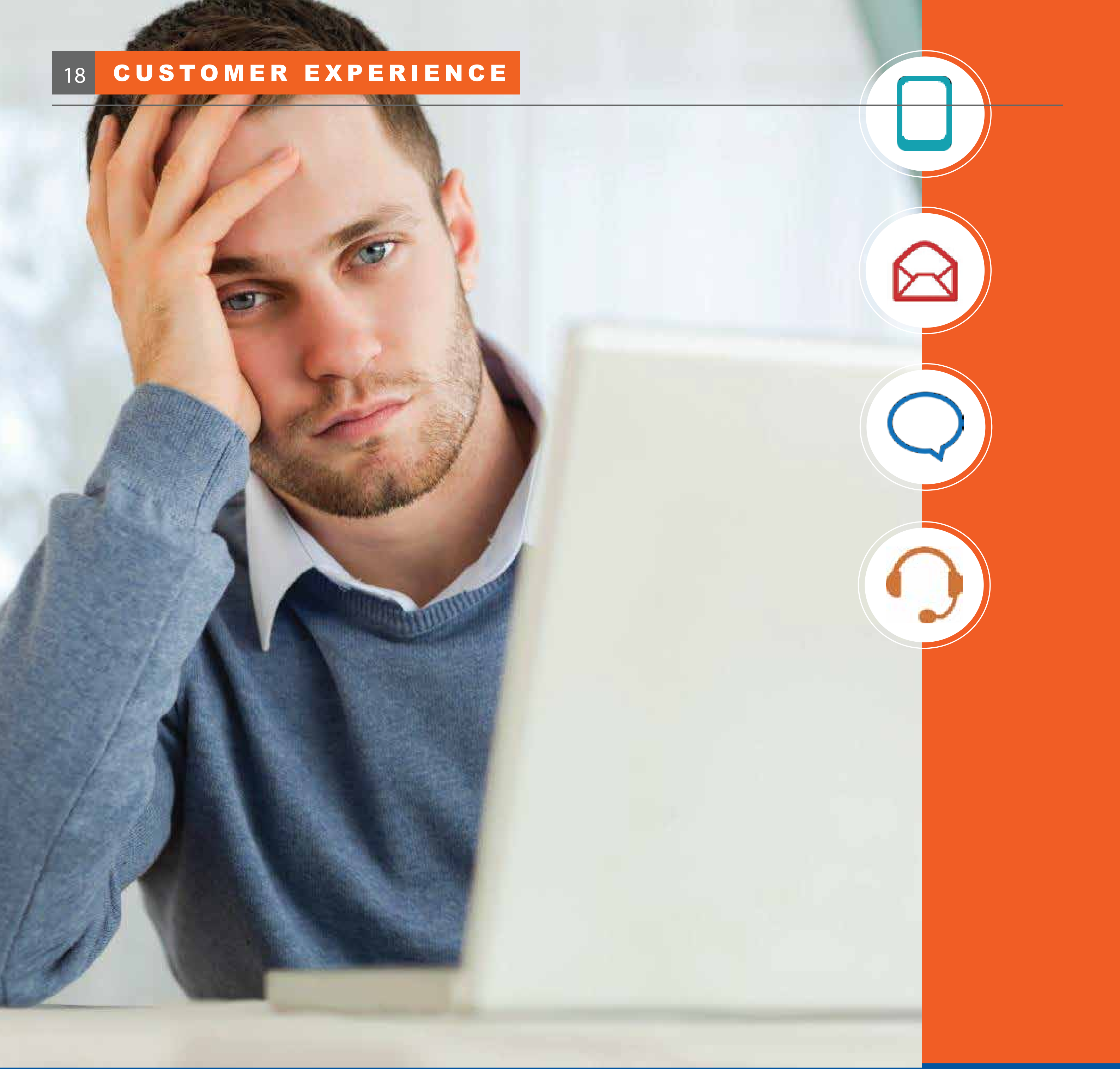
Loyalty cards play a key role in adoption. On average, Apple Pay users have loaded 2.3 cards into their Apple Wallet; 75% of cards loaded were general-purpose payment cards (41% credit, 30% debit, 4% prepaid), while 25% were proprietary retail store or loyalty cards which Apple began enabling only in the second half of 2015.

Apple Pay action happens at the POS. Despite relatively few NFC-enabled terminals in the market, the physical point of sale remains the primary channel for Apple Pay purchases. Among those that have used Apple Pay, 66% reported having made a purchase in-store, while 52% reported having made an in-app purchase.

If you've used Apple Pay, you probably like it. Among those that have used Apple Pay, 60% indicated that they are “very satisfied” with their experience and 94% are at least “somewhat satisfied”. Perhaps most importantly – no consumer indicated any level of dissatisfaction with Apple Pay.

According to the report, “the typical financial institution can expect 1 to 2% of cardholders to use Apple Pay two or more times, based on the survey results and Apple’s share of the U.S. handset market. This represents positive momentum for the evolution of the U.S. mobile payments market, but it also suggests a long adoption curve. hbhataia

The Bullet Point: As many of our recent reports on mobile wallet adoption have suggested, loyalty and reward programmes will continue to drive adoption and continued usage of mobile payments. For programmes to continue to play a central role, however, loyalty marketers must focus their efforts on delivering real value, relevance, and a frictionless experience to their members.



Cross-Channel Experiences: What Really Matters

Industry buzz has stimulated recurring conversations about the importance of serving customers in their channel of choice. How much should your business organize service delivery around customer preferences? Our research suggests that using caution is the best approach. What customers do and what they want to do often are very different. In fact, fewer than half of customers in this study actually visited their most preferred channel as the point of first contact.

BACKGROUND

In light of the ongoing shift to technology-enabled service options like online chat and mobile apps, business process owners often are left wondering, "How important is customer preference in driving channel usage?" With continual expansion into emerging service innovations, the impact that channel-jumping has on performance metrics also needs to be quantified. For example, little is known about the implications of forcing a customer into a non-preferred channel; how much is at risk? Without these insights, most organizations –regardless of industry –lack sufficient direction on how to develop a comprehensive cross-channel strategy that delivers effortless care across touchpoints.

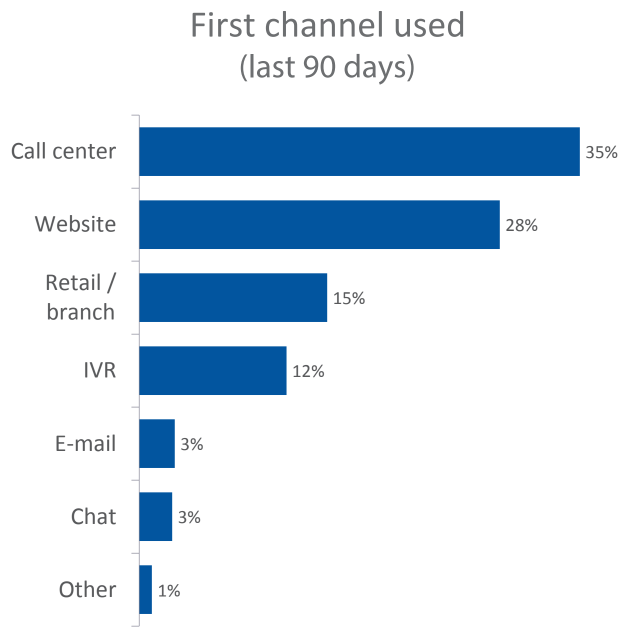
To explore the issue, our Analytics team took a deeper look at the role of contact channel preference in re-defining customer experience strategy. We conducted an online study among more than 3,000 U.S. consumers who had at least two service interactions in the last 90 days. The study was designed to assess each of three areas:

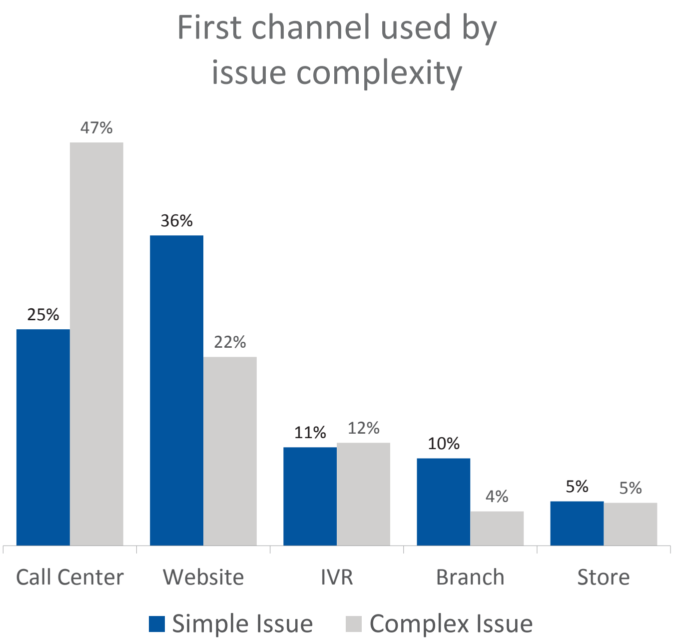
i.Where do consumers go first to resolve a question, and where would they liketo go first?
ii.What are the primary drivers of channel selection?
iii.What role, if any, does pre-emptive communication have in service today?

WHERE CUSTOMERS GO FIRST

When it comes to a customer's quest for resolution, the path taken has evolved significantly over the years. Yet one constant remains: The 800# often is the first stop in the journey. Upon closer scrutiny, however, an interesting trend is revealed: Self-service maturation has made online options a close second. Despite many consumers gravitating toward call centers as the channel of first choice, clearly there is an inherent willingness to use online and other self-service channels. So what is driving channel selection? Stated simply, the complexity of the issue in question.

Customers are making an educated and deliberate decision to use one service channel over another, behavior that is likely motivated by an unspoken belief that one channel is better-suited to quickly resolve that specific issue. In other words, customers gravitate to the channel of least resistance depending on what they're trying to do.





THE ONLINE OPPORTUNITY

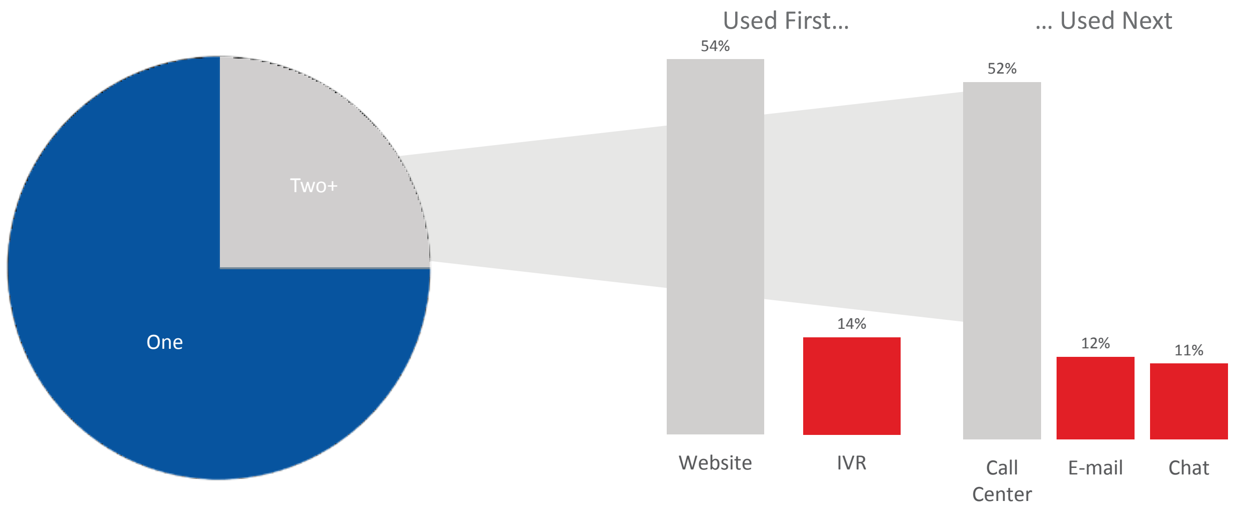
Unfortunately for many customers, the first channel attempted is not the last. In this study, fully 1 in 4 visited multiple channels seeking resolution. Of these, 71% began in self-service (web or IVR). Developing an effective cross-channel delivery model requires a clear view into the root cause(s) of cross-channel behavior. A primary culprit may be the website. More than half of those that reported using multiple channels also stated they first attempted online self-service but failed.

One could argue two interpretations of these results: First, there is a willingness and affinity across age groups for self-service. Many customers appreciate the ease and convenience of the web, and it's considerably less expensive than other channels on a cost-per-contact basis. Yet the flip side illustrates a sizeable "miss" in executing online support. An even greater risk is the increased volume driven into the call queue following a web failure.

It's noteworthy that few organizations have successfully implemented online support functions like chat; among customers that began online and used multiple channels, only 1 in 10 went to chat after the website failed. Chat should be part of an intervention strategy for all CX practitioners. Once a customers is online, keep them there. What drives web users to other channels? 50% said information was unavailable or lacked detail, 13% said the site lacked functionality, 13% said they needed live support to complete their task.

Number of channels used

Used first, and used next



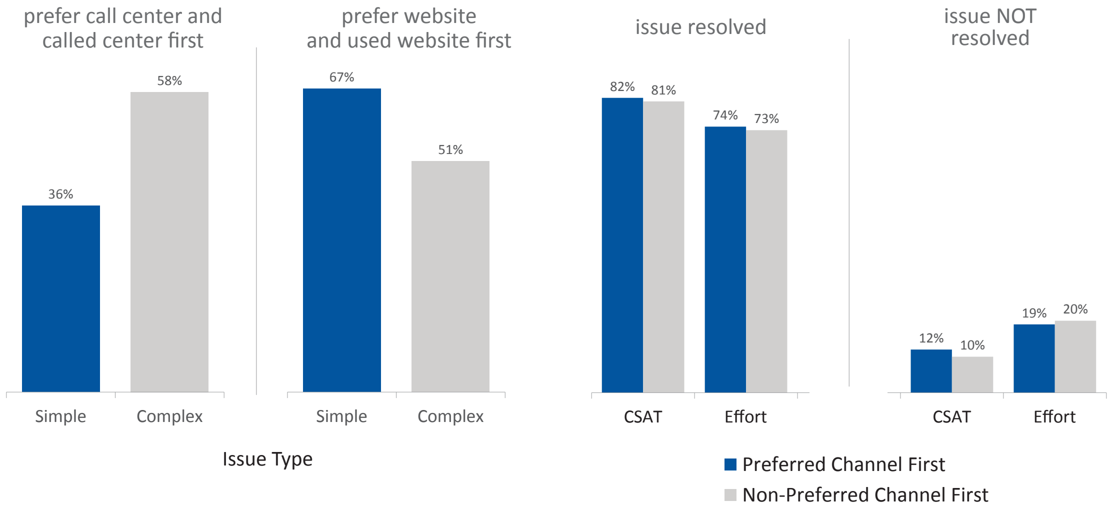
WHERE THEY WANTTO GO FIRST

Having an in-depth understanding of where customers go for support is essential, but knowing where they want to go has been a key focus in service for years. What's unknown is how important preference actually is to customers. Looking closer at the two most frequently used channels –call center and website –the discrepancy between preference and usage is impacted by issue complexity. When contrasting channel preference against issue resolution, an interesting pattern emerged: Channel matching does not make a good experience better or alleviate frustration with sub-optimal outcomes.

As has been illustrated repeatedly in our practice and others, what is foremost in consumers' minds is whether their issue was resolved … regardless of where or how they asked the question.

Channel usage by channel preference

Impact of resolution on perceptions of first channel used

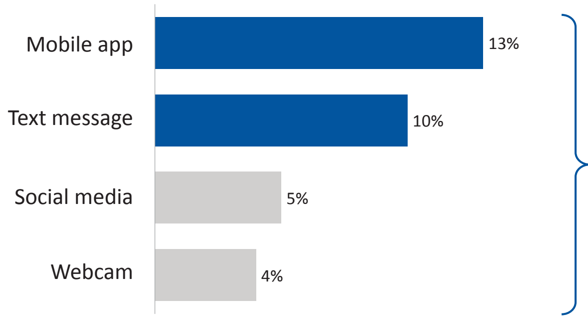


EMERGING CHANNELS

In today's world, the way in which we connect with one another is rapidly changing. While mobile service options are not yet commonplace, findings here suggest that younger generations are moving the industry there more quickly than anticipated. Of four emerging channels –mobile, text, social, webcam –apps and text had the highest current usage among younger ages.

What about the movement to embrace outbound communication strategies? Our research showed that nearly all consumers (92%) are open to receiving a proactive communication from the businesses they use. However, there are some parameters: Customers are most willing to accept notifications of fraudulent or other account activity, and want communications primarily via e-mail.

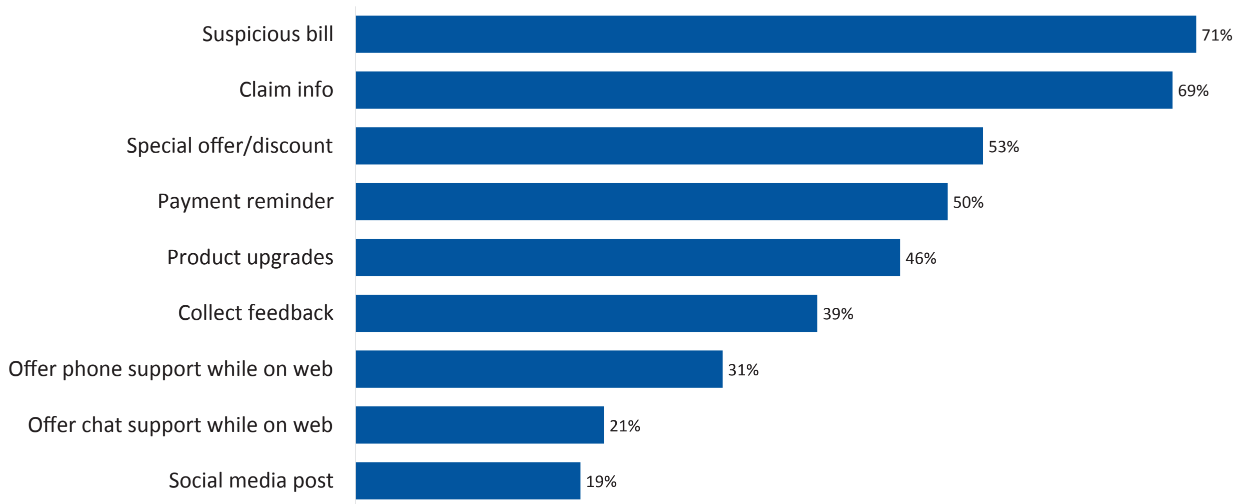
Emerging channel used for service (last 90 days)



Usage by Age

	18-34	35-54	55-74
Mobile app	23%	15%	7%
Text message	12%	12%	8%

Acceptable reasons for proactive communication



About the Author

John Georgesen, Ph.D., is senior director at Convergys Analytics. He leads a team of Ph.D.-and M.A.-accredited analysts and statisticians that deliver interpretative analytics, decision science, and predictive modeling services.

8 Best Practices for Customer Experience Management Today

SafeAuto Insurance Company is known for its humorous ads and innovative promotions, but when it comes to customer service, there's no joking around.

The company is intensely customer-focused and committed to delivering a high level of service and operational efficiencies. With no outside agents selling or servicing SafeAuto Insurance, the company relies on its multi-location contact center for sales, claims, and customer service.

By upgrading its Avaya Aura® Contact Center suite, SafeAuto garnered these results:

- Agent occupancy (utilization) increased by 14 percent.
- Maximum caller wait time reduced by 48 percent.
- Shorter calls, handled more efficiently.
- Cost savings of 10–15 percent.

Acquiring new customers is considerably more expensive than keeping those you already have. And satisfied customers are the ones that stick around. According to a 2011 survey by callcentres.net, 83 percent of respondents said they would buy more from a company that made it easier to do business with them.

But customer experience requirements are changing rapidly these days, with social media, analytics, and new devices and technologies reshaping the landscape. I've gathered stories from companies that consistently receive high rankings for the customer experience they provide, and identified eight best practices.

1. BUILD RELATIONSHIPS.

Best-in-class companies know that it's not just about solving problems—it's about building a lasting relationship with your customers.
At its retail stores, Apple is in the business of making friends. Employees actually will try to "down-sell" you on the thing you came to buy in an effort to get you the lower-priced, least-complicated product that will do what you need.

Truly, we all like getting what we want for less than we expected to pay. Apple's approach reportedly results in fewer product returns, higher sales rates on add-on services, less frequent support issues, and extremely low employee attrition.

Contact centers can emulate this approach by using analytics-based cross-sell marketing programs. These involve using historic and real-time data to proactively suggest to agents the products and services that individual customers might be interested in. Complete the loop by rewarding agents for selling the best-fitting solutions, rather than the most expensive.

2. INTEGRATE YOUR SUPPORT CHANNELS.

New consumer technologies make delivering consistent customer support even more important. As you add SMS, text chat, video chat, and mobile platform channels to your quiver, it's important to keep tabs on them all. Cross-channel integration tools can seem overwhelming—but the alternative is an inconsistent user experience, which can result in significant cost for your business.

Salmat, Australia's largest provider of outsourced contact centers, is upgrading its 35 contact centers to Avaya technology to become an "omnichannel" customer service provider. Salmat, which manages more than 100 million incoming and outgoing phone calls a year, needed to engage with consumers whether they are on Twitter, Facebook, SMS, email, or phone, says Salmat CEO Grant Harrod.

"A consumer doesn't select necessarily the channel you would like them to communicate with, they select the channel they would like communicate with you on," he says. And every one of these channels "has to be absolutely consistent."

3. TALK TO YOUR CUSTOMERS IN REAL TIME.

According to a Frost & Sullivan 2012 report, consumers overwhelmingly end up trying to reach a live agent and are most satisfied after live interactions, either on the phone or via chat. Forcing customers into self-service channels may keep your costs down in the short term, but can cost you in retention and lost sales opportunities over the long haul when not used for the right purpose.

Palm Coast Data handles subscriptions and delivery for 500 magazines and 45 million subscribers. Upgrading to Avaya Aura Contact Center has empowered Palm Coast's 200 on-site contact center agents and growing number of home-based agents with two key new features: the ability to Web chat with magazine subscribers (usually two at a time) and perform scheduled callbacks to customers when they are free.

That's boosted the productivity of these "blended agents" between 86 percent and 98 percent and increased customer satisfaction, the company says.

4. COACH AGENTS FOR PERFORMANCE.

Agent performance is the foundation of good customer service in a contact center. Coach your coaches, provide specific feedback, and invest in next-generation coaching tools to make sure you get the most from your people. Reward your best-performing agents. Help those that struggle to do better.

A division of HSBC bank in the U.K., first direct does not have a physical branch network. Customers access services online or by fixed or mobile app. It's been voted number one in customer service in a national service for four years running. Agent training and support is central to the bank's mission of "pioneering amazing support." Knowing that longtime employees provide better support in general, first direct aims to keep employees happy, and ongoing coaching is central to its approach. New recruits spend six weeks in training. 65 percent of that time is spent in a classroom environment designed to work for all learning styles, and 35 percent is spent taking calls in the call center with dedicated coaches.

Throughout their time with first direct, employees receive tailored coaching to help motivate them and develop them as individuals. All staff must regularly revisit training and are held accountable for their own personal service standards.

5. EMPOWER AND ENGAGE EMPLOYEES.

Create a culture where employees feel comfortable initiating conversations and listening to customers instead of just answering questions as fast as possible. It drives agent attrition down—and customer satisfaction up.

Shoe retailer Zappos.com is a great example. Its mission statement declares that "Customer Service isn't just a Department! ... We've aligned the entire organization around one mission: to provide the best customer service possible. Internally, we call this our WOW philosophy."

The call center is at company headquarters, and all employees start their tenure at the company with four weeks of training as a customer service rep. Call center employees get another three weeks after that for a total of seven weeks.

After all that training, Zappos.com trusts its employees to do right by the customer. They don't read from scripts and they aren't encouraged to keep calls short. It may seem counterintuitive, but it works. Stories of people receiving condolence bouquets, products for free, and lifetime memberships in the VIP program go viral, and make fiercely loyal customers.

6. FOCUS METRICS ON YOUR CUSTOMER.

What's your measure of success? Don't just reward your agents for speed. Reward them for resolving customer issues in one contact (first contact resolution) and for high customer satisfaction scores.

Nordstrom department stores have long excelled at service, and customers go on about it. For many years, the Nordstrom Employee Handbook was a 5-by-8-inch gray card that contained just 75 words spelling out the company's short-and-sweet philosophy:

Welcome to Nordstrom. We're glad to have you with our Company. Our number one goal is to provide outstanding customer service. Set both your personal and professional goals high. We have great confidence in your ability to achieve them.

Nordstrom Rules: Rule #1: Use best judgment in all situations. There will be no additional rules. Please feel free to ask your department manager, store manager, or division general manager any question at any time.

One goal: Outstanding customer service. One rule: Use your best judgment.

You may not be able to reduce your contact center handbook to 75 words, but is there room for simplification? For focusing key performance indicators on customers?For respecting employees' judgment?

7. START AT THE TOP.

Customer experience starts with the CEO. A best-in-class customer experience comes from a company focused on delivering one, from senior management all the way to the agents on the front line. Link every metric to company initiatives to help agents understand how they fit into the big picture.

Amazon consistently receives accolades for its best-in-class customer service. Interestingly, it's often the customer experience—personalized experience, painless purchasing, and fast shipping—that gets mentioned rather than how the company resolves problems.

CEO Jeff Bezos understands that it's all related, and has organized the company so that "service," or the contact center team you reach if something goes wrong, is part of the "experience" group. That's an insight that Bezos or other top brass may have come up with on one of the two days per year every company employee spends working the service desk, answering emails from customers.

In fact, like Amazon, Zappos.com also requires all employees to work customer service for a few days every year. Since these two are often in the top three in ratings for best customer service, it seems like there's something to it.

8. DELIVER ACTIONABLE DATA TO DECISION-MAKERS.

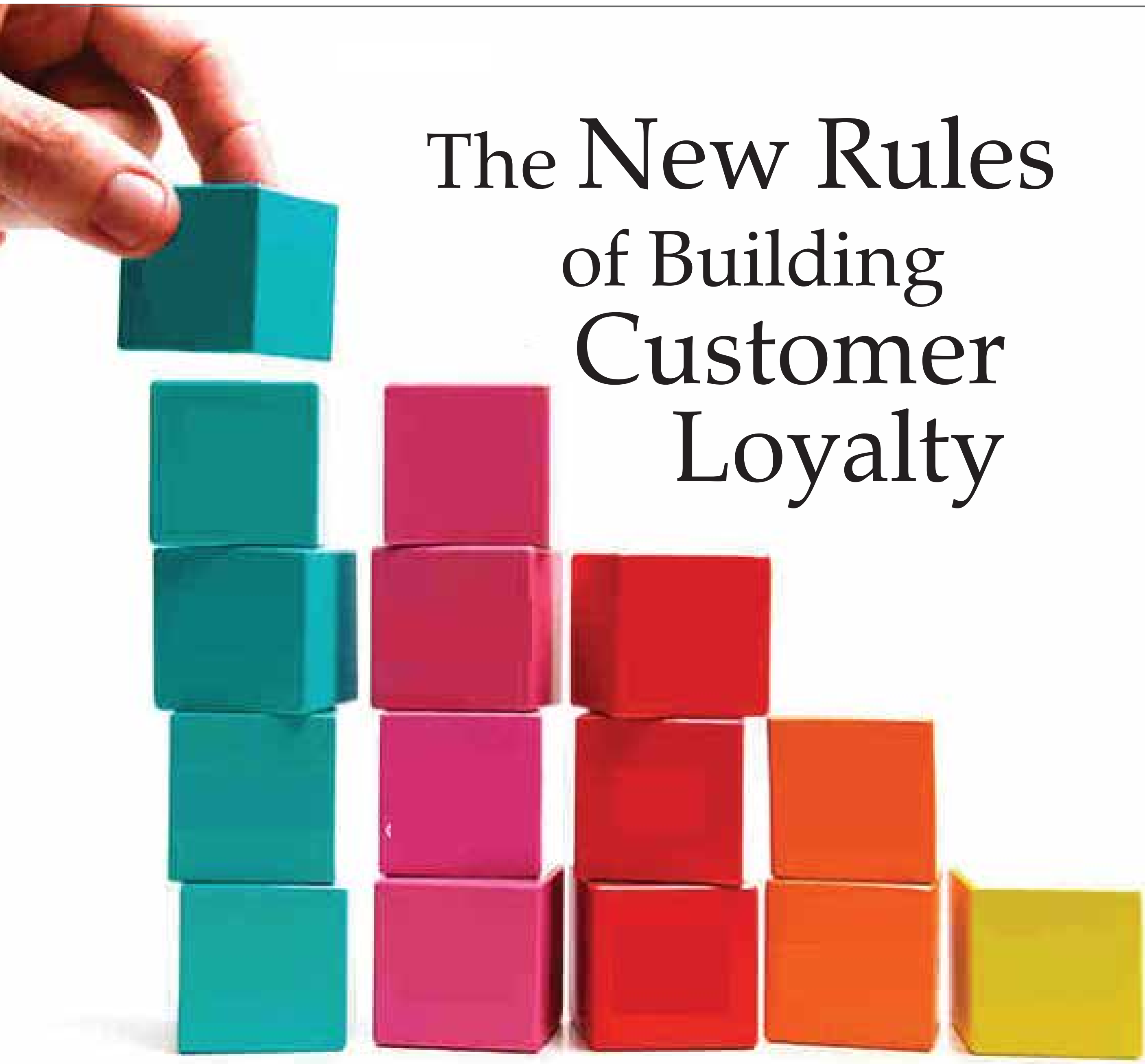
To ensure that the entire company is on the same page, share contact center and customer satisfaction reports with the entire company. After all, customer satisfaction should be everyone's number one goal. Yet callcentres.net found in 2011 that while 95 percent of companies collect customer feedback, only 10 percent deploy it to improve service.

At SafeAuto Insurance Company, customer service data spreads far beyond the contact center. The marketing group uses it to map customer demographics. The company's investigation unit uses it for research. Senior management has its own set of dashboard reports that provide regular updates on enterprise operations at a high level, with the ability to drill down to specific details.

While technology changes, and new generations bring different perspectives to the market, the foundation of customer experience management stays the same. If you want to provide standout service, it must be the top priority at every level of the company. It must be the focus of every initiative. And it must be the goal of every employee.

About the Author

Laura Bassett is Director of Marketing for Customer Experience and Emerging Technologies at Avaya. She has more than 19 years of experience in applications consulting, development, and delivery.



The New Rules of Building Customer Loyalty

Want your customers to stick to you like glue? Today it takes more than a punch-card or priority line.

If you give a discount to your most loyal customers, you might be doing something wrong. At least you're not doing all you can to reward your best customers, and keep them coming back. Experts say there are some rules to follow to make your customers feel like kings from the very first moment they encounter your product or service. Do it right, and you'll not only score a lifelong customer, but also an advocate for your brand—and that's a lot more valuable. In order to bring you up to speed, Inc.com has compiled seven of the most innovative and ingenious tips from articles, guides, and interviews in Inc. and Inc.com over the past year. These are the new rules of building customer loyalty.

1. CREATE ENLIGHTENING EXPERIENCES

Whether it's selling bikes in his Connecticut store or filling orders for corporate rewards programs, Chris Zane knows a successful business is about more than just selling stuff. Instead, he's selling experiences. More than a decade ago, he used that concept to launch a business filling orders for custom-fitted Trek bikes geared for corporate rewards programs, Gina Pace reports. Zane's Cycles builds the bikes to specification, and all the recipients have to do is attach the front wheel, using the included instructions. The end goal: Creating experiences that will make customers feel good about the reward product—and not irritated that they have to spend hours putting something together. Early on, he decided he wouldn't nickel-and-dime customers and stopped charging for any add-on that would cost less than a dollar. He installed a mahogany coffee bar in his shop and gives away free drinks. "We're looking at the lifetime value of the customer," Zane says. "Why ostracize someone over one or two things that might cost us money when understanding the lifetime value gives us the ability to justify it?"

2. WHEN YOU DO WRONG, MAKE IT RIGHT

Resolving customer complaints is among the best ways to earn loyalty. Lengthy apologies give customers the chance to connect emotionally. Leonardo Inghilleri, co-author of Exceptional Service, Exceptional Profit: The Secrets of Building a Five-Star Customer Service Organization, observes that money is not always the best remedy. That goes particularly for customers who are not buying on price, he said, companies should consider a thoughtful present or service.

3. REWARD CUSTOMERS WITH GAMES

A handful of luxury brands have for decades used promises of status to encourage customers to spend more through loyalty to their brands. Today, brands of all stripes are experimenting with the psychology of status and power in rewarding customers. A generation raised on video games is wired to love incentives—and that doesn't just mean freebies. Gaming reinforces players through positive feelings generated by achievements, which are perceived through points, badges, discounts, or any award—tangible or not. Game mechanics are, simply, ways of generating those positive feelings. And it can be good for you: Giving customers something positive encourages additional interaction with your brand, service, or product. For this very purpose, LinkedIn added a progress bar that documents user-profile completion.

4. QUANTIFY CUSTOMERS' LOVE

Ask the opinions of your valued customers. It can be something small, say, simply appending short surveys to receipts. To help improve the response rate, use the strategy of making a small donation to a charity for every survey completed. It should start with an overall rating, followed by a drill-down into specific aspects of the visit. "Start out with the two questions that really matter: Will you come back? and Will you refer your friends?" says Micah Solomon, co-author of Exceptional Service, Exceptional Profit: The Secrets of Building a Five-Star Customer Service Organization. A rating is also a defense against attacks on sites like Yelp. The ability to assert, "On a scale of 1 to 5, 97 percent of customers gave us a 5" is powerful ammunition.

5. MAKE AN APP FOR THAT

You know loyalty cards. They might be punch cards, or plastic fobs dangling from countless key rings. They may soon fade into history, pushed out by smartphone apps that do more than just offer a high-tech alternative—they also provide businesses with a trove of useful information about their customers, Issie Lapowsky reports. Several start-ups have recently launched loyalty-card apps—check out Cardstar, Checkout, PlacePop, and Cardagin—to help businesses attract customers and reward their regular fans. At the same time, these apps ferret out marketing data, giving even the smallest shop access to high-powered analysis.

6. DO REWARDS BETTER

Companies spend more than $2 billion on loyalty programs a year, and statistics show the average American household belongs to about 14 different rewards programs, even if they're only active in six, Tim Donnelly reports. "They want to protect the customer relationship," says Chris Cottle, vice president of marketing and products at Allegiance, which has provided customer feedback services to 1-800-CONTACTS and several banks. "It's so easy for customers who are price-sensitive to slip away or go to a competitor. One of the ways you can make your customer relationship more sticky is through a well-planned and well-executed reward program." Consider ways to integrate social media, tangible gifts, or a memorable experience. Just be sure to go beyond a simple discount. Physical prizes or earned bonuses like frequent flyer trips resonate much more, says Bob Konsewicz, a strategic consultant for Maritz Loyalty, which has worked with AT&T, Bank of America and General Motors. "If you get a discount, it's kind of over and done with," he says. consider new platforms for rewards, too. The Brooklyn Museum, for example, will award a free yearlong membership to the "mayor" (the person with the most check-ins at that location) on certain days.

7. BUILD A GIANT RELATIONSHIP

Russ Stanley, who is in charge of client relations for the Giants, explains to Inc. that the organization has introduced programs to help season ticket holders sell their seats for games they cannot attend, and assigned specific representatives to make sure these fans are happy with their ballpark experience.You read that right: Each season ticket holder has the name and phone number of a team official who will field questions or handle requests immediately. This approach, borrowed from major casinos that assign a concierge to important gamblers, builds bonds that cannot be created without such a personal connection, John Gerzema reports. "We give them the name, phone number, and e-mail address of a real person who is responsible to them," explains Stanley. "We deal with problems immediately. If a person says they had trouble with a ticket that didn't scan at the entrance and they missed an inning or two, I give them an invitation to another game.

Maintaining the customer experience

Stinting on customer service is a common and sometimes costly response to tough economic times. By managing the customer experience more rigorously, companies can maintain quality while still saving money.

The challenging economy is putting consumer companies such as airlines, banks, and retailers in the difficult position of cutting back the service levels that customers have come to expect in recent years. These companies are closing retail locations, reducing hours of operation, and making do with less staff in stores and call centers. Meanwhile, faced with rising costs, they are also increasing prices, either overtly or through fees. As a result, our customer experience research shows that satisfaction scores are reversing the upward trend of the past few years and actually dropping in a number of industries.

So it's not surprising that most executives think compromising service levels is a mistake. When we interviewed senior executives from 11 leading service delivery companies, all but one agreed that improving the customer experience is growing in importance to their companies, customers, and competitors.

How can consumer businesses make necessary investments in service while facing the pressure on revenues and costs? Our review of the companies with the best customer service records in ten industries suggests that one key is to minimize wasteful spending while learning to invest in the drivers of satisfaction. Specifically, companies should challenge their beliefs about service and test those beliefs analytically. Many will discover that long-held but seldom-reviewed assertions about what customers really want are wrong.

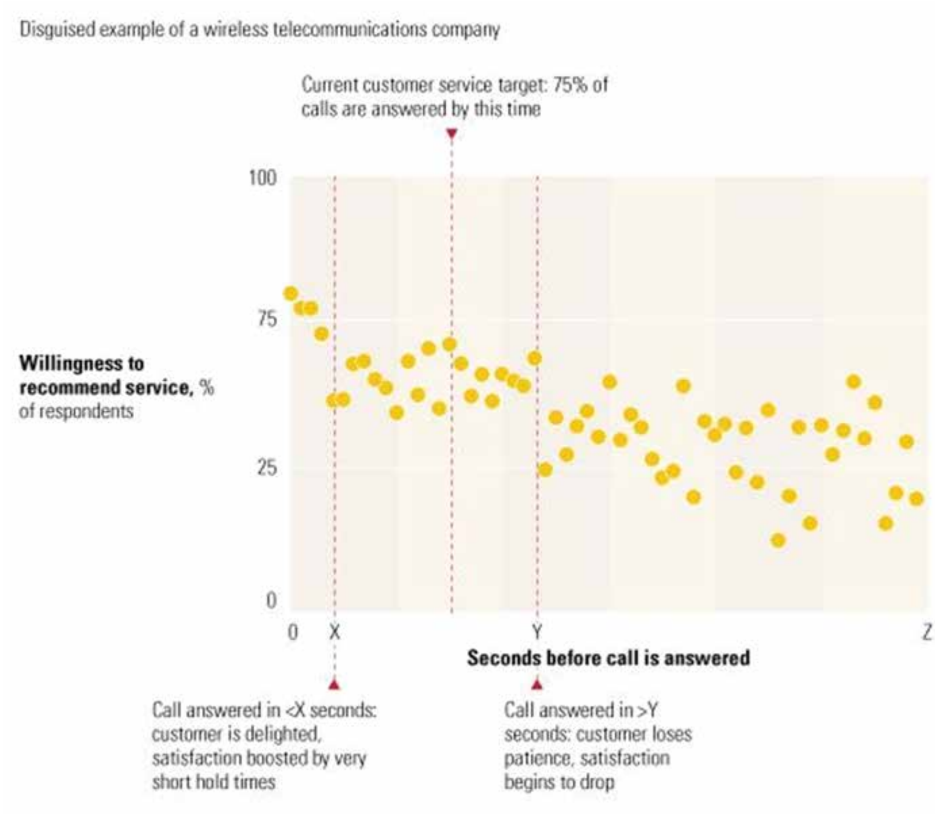
Consider service levels, specifically average time-to-answer, which is one of the most common metrics used in call centers. Service levels—often based on regulation or historical precedent—are set by call-center managers and then used to calculate staffing requirements. But service levels are challenging to maintain and costly to improve: raising them by 10 percent requires much more than a 10 percent increase in staff.

Companies that closely manage the customer experience have taken a rigorous approach to resetting service levels and, in some cases, are saving money without degrading them or customer satisfaction. In short, these companies have carefully measured the "breakpoints" to find their customers' true sensitivity to service level changes. One company, a wireless telecommunications services provider, found that its customers had two breakpoints at X and Y seconds on a call; answering the phone immediately (less than X seconds) produced delight, while leaving customers on hold for longer (more than Y seconds) produced strong dissatisfaction (exhibit). Although customers were fairly indifferent to service levels between X and Y, the company's average time to answer was only loosely managed between these two points.

Exhibit

The breaking point

Companies can define adequate service levels by closely managing customer experience.



The company considered raising service levels to the "delight breakpoint" or reducing them to just above the "patience threshold." Customer-lifetime-value economics pointed to the second option: relaxing service levels but guarding against crossing the patience threshold. The drop in customer satisfaction was negligible, but the savings in staffing were significant, and the company ended up saving more than $7 million annually—much of which was reinvested in improvements to its problem-resolution process.

This scenario isn't an isolated example. The same principles apply to setting up a new account, scheduling an appointment, answering a nonurgent e-mail, or having customers wait in line. In our experience, most companies that analyze their service levels carefully find that some wait times have become more important to customers than others and that overstaffing to hit service targets that customers don't care about is costing them money.

A second variety of overinvestment that we often see involves capital and technology. In one example, a bank scrutinized a costly ATM upgrade aimed at improving the user interface and adding screening barriers around the machines to enhance user privacy. An analysis showed that the equipment was moderately important (driving 5 percent of overall satisfaction). Yet more mundane factors—the existence of enough ATMs and the consistent availability of cash in all machines—were not only about 50 percent more important to customers but also perceived by customers as a bigger problem for the bank. Consequently, the bank pulled the plug on its capital plan for ATM upgrades and redirected those funds into addressing accessibility issues and cash-out conditions.

Other good places to look for potential overinvestment include marketing campaigns (for example, offering to move a customer to a cheaper rate plan regardless of whether the customer says cost is a problem) and excessive use of bill credits and adjustments. The business case for these "customer delight treatments" can include unrealistic assumptions about how they will increase customer referrals and retention. And often, there is no business case.

Finding these savings requires rigor in customer experience analytics: the collection of customer-level data, matching survey responses to actual behavior, and statistical analysis that differentiates to the extent possible between correlation and causation. It also requires a willingness to question long-held internal beliefs reinforced through repetition by upper management. The executive in charge of the customer experience needs to have the courage to raise these questions, along with the instinct to look for ways to self-fund customer experience improvements. Sophisticated companies that figure out what matters most to customers, eliminate the investments that don't matter, and finance the ones that do will thrive—and may find themselves, when the economy returns to normal, with fewer competitors.

About the Author

Adam Braff is a principal in McKinsey's Washington, DC, office, and John DeVine is a principal in the Seattle office.

'Mobile Wallets,' the Future of Loyalty Marketing Programs

"Mobile wallets" are steadily inching their way into the mainstream. With the technology now readily available -- and affordable -- and the stigma of security issues steadily fading, consumers are finally jumping on board.

In the past year, approximately 28 percent of smartphone users actually made a mobile payment, and that number is only expected to grow.

But what many merchants don't realize is that mobile wallets can also be used as strategic marketing tools to help increase their bottom lines. The solution is in mobile loyalty programs.

After all, customers love loyalty programs. But they don't love carrying around a wad of plastic cards in their wallets. Cards are bulky and easily lost. So, if your business already offers a loyalty program -- or plans to implement one -- there's never been a better time to make the switch to mobile.

BENEFITS FOR BUSINESSES

The most obvious reason why merchants offer mobile loyalty programs is to give customers incentives to return to their businesses. But there are a number of other perks, too, including:

Increased sales -- Customer retention is always good for boosting the bottom line, but studies have shown that a mobile loyalty program can also boost extra sales among loyalty customers. Kohl's loyalty customers, for example, average two additional trips to the store and spend $80 more than nonloyalty customers over the course of a year.

Differentiation from the competition -- Loyalty programs are an excellent way to stand out from the crowd. And having a mobile loyalty program gives you an even bigger edge in the marketplace. Consider what your competitors are doing for their loyalty programs and figure out a way to make yours even better.

Cost savings – Mobile loyalty programs require less operational management than paper-based programs, and that advantage will ultimately lead to reduced operational costs.

Improved customer service – Consumers want their experiences to be enjoyable, and they want to feel valued. Loyalty programs help make both of these goals possible. They open the door for more communication between retailers and customers during checkout. And they give loyal customers rewards for their patronage, making them feel appreciated.

THE CURRENT LANDSCAPE

Some merchants, like Starbucks, have already launched successful loyalty programs within their own store apps. The Starbucks app allows customers to load money onto their mobile accounts (like a revolving gift card), keep track of their rewards and make payments and use their rewards directly from their phones at checkout. And this is just the beginning of the integration of mobile wallets with loyalty programs.

LOOKING FORWARD

Experts predict that the next step in mobile loyalty programs will be to integrate them with the front-runner mobile wallets, such as Apple Pay and Google Wallet. Up until this point, consumers have been forced to use mobile loyalty programs within each store's individual apps. In the near future, we can expect to see these mobile wallets begin to not only implement store loyalty programs, but ultimately become a platform for integrated, real-time marketing.

The Year of Loyalty Convergence

Loyalty programmes will evolve in 2016 as brands continue to pursue higher levels of engagement. In this guest article, author Guy Deslandes argues that 2016 will be the year of loyalty convergence and offers three trends that will drive loyalty marketing strategy this year.

2016 will be the year that brings platforms, technology, and data closer together as brands focus on establishing loyalty within a streamlined everyday shopping experience in order to create more value and a better experience for program members. To achieve this vision of loyalty convergence, marketers will work at bridging the gap between on- and offline loyalty activity, tapping into the trend for mobile payments, and expanding the data sets they use to enhance the relevance of offers. Here are three trends to watch:

CREATING A MULTICHANNEL EXPERIENCE

The growth of multichannel retail to address the needs of the modern 'always on' consumer has transformed brands' approach to customer engagement. In 2016 brands in the travel and hospitality sector will continue to emulate this 'ever-present' multichannel experience and embed their loyalty programs within it. Mobile, increasingly consumers' primary online platform, will be a particular focus. Our research suggests mobile is already an important platform for loyalty program engagement: many brands we work with reported that more than a quarter of loyalty mall transactions on Black Friday 2015 were on mobile. A strong and intuitive user experience will be crucial as this volume grow.his article is copyright 2016 TheWiseMarketer.com.

The multichannel approach relies on finding not only the right brand partners and inventory, but also the right technology partners to build the links between on- and offline platforms. In 2016, travel brands will explore ways to use their physical footprints to create experiences that connect consumers back to their online loyalty platforms. Airlines could, for instance, create earning and redemption opportunities for travellers around products and services they have experienced during their travel journey – from the lounge through to the flight itself.

INTEGRATING LOYALTY FURTHER INTO EVERYDAY TRANSACTIONS

Cash payment volumes are expected to fall by as much as 30% over the next ten years. Contactless card payments total £1 billion per month in the UK alone now, accounting for one in ten card transactions.As many as a quarter of consumers would abandon a transaction if they couldn't use a card. The arrival of Apple Pay has jumpstarted mobile payments. The UK is taking significant steps toward becoming a cashless society, driven largely by millennial consumers' desire for an immediate and seamless shopping experience, on- or offline.

Translating the seamlessness of the contactless payment experience from offline into online shopping will be key; social media sites' testing of 'Buy Now' buttons within sponsored posts is one example of how some brands are trying to achieve this. Loyalty programs, too, will become more deeply integrated into this joined-up retail landscape, making rewards more attainable and earning and redemption opportunities more accessible. Brands will expand their portfolio of loyalty program partners so that tapped transactions become synonymous with earning points, perhaps even looking beyond the 'usual suspects' of retailers to extend the influence of loyalty into other everyday consumer spending – imagine earning points every time you tap in on public transport using a contactless card.

Brands will also look to boost engagement with loyalty programs by making reward points easier to redeem. This might be by promoting new redemption opportunities such as 'topping up' points with cash, called for by 50% of consumers in our research. Or it might be through unifying the earning and redemption of points in a single online loyalty marketplace, giving consumers more access to points within a more integrated and unified e-commerce experience.

TAKING PERSONALIZATION TO THE NEXT LEVEL

Consumers have become accustomed in recent years to sophisticatedly personalized online services. The likes of Amazon and ASOS have led the way, impressing with the relevance of their content and product recommendations. Many targeting techniques based on demographic markers and transaction histories have been transplanted from e-commerce and direct marketing into loyalty programs to help create relevantly personalized experiences for consumers. In 2016, brands will take personalization to the next level to develop a more nuanced picture of customers as individuals.

Brands will start tailoring offers not only according to consumers' social groups, past purchases, browsing behavior, or interactions with marketing emails, but also according to their loyalty points balance, how recently or frequently they have been active, and their tendency to 'top up' points with cash. This tighter integration of personalization into the loyalty process should make rewards more affordable and accessible.

Contextualized personalization will also use additional information to present consumers with the most relevant inventory in the most accessible format. The type of device a consumer is using will help brands serve the best-optimized version of their loyalty mall, while weather and location data will dictate what inventory is pushed to the dynamic storefront, making it more likely that consumers will see products they want or need at the time.

About the Author

Guy Deslandes is E-Commerce Sales Director at Collinson Latitude.

It's 2016, and you STILL Don't Know who Your Customer is?.

Forget big data for a minute. Pause on sending daily emails to your entire customer file, where everyone gets the same thing. Halt from launching a loyalty program that is not connected to your email club or your CRM efforts. Stop your app development that does not capture customer information.

Perhaps it's not necessary. Maybe we don't need to do better than this. Does sending me emails for women's jeans 70% of the time lead me to be less interested in the email for men's jeans when it appears? Have I been trained to put up with it? How about offers for products you know I have already have purchased?

I believe in something smarter, and I have for years. It's this: when you take the time to integrate data from all channels (marketing channels, purchase channels), you are able to build strategies and tactics that provide market-beating financial returns for your organization. Over and over again. Knowing how browsing behavior impacts in-store. Seeing that email opens by category can lead to specific product recommendations that are of interest to the customer.

I think it's even bigger though. Those are tactics. If X then Y kind of stuff. What about your strategy? Which of these trends are big enough to actually change your merchandise assortment? Are you spending a lot of time on the 40% of customers who only bring 10% of revenue (a typical retailer metric)? Do you know who your best customers are? The 10% of customers that provide 40% of your revenue?

Of course, this begs the question: What does it mean to Know Who Your Customer Is? Name? Address? Sure. Demographics? That helps. What they purchase? How important they are to your bottom line? That they are influencers? Yes. Are they engaged? Are they loyal? We need to know.

When you have hundreds of thousands, millions, or tens of millions of customers, there needs to be a way to make sense of this data to understand the major types of customer relationships you have, and build out strategies based on that insight. This means analysis, statistics, and third party data appends. It may mean primary research. All to reveal what your customers think, what they buy, and how much they relate to what you are as a brand.

Forget the primary research approach to segmentation, where you survey 1,000 or 2,000 consumers and cluster them based on things you can't find in your database. Forget the attempts to model these segments onto a database (hint: it doesn't work). It's interesting to know that the "Barb and Clive" segment spends 30% more than the average and likes organic food, but unless you can find them on your database, it's relatively meaningless.

So, what do you need for you to be able to "know your customer"? Let's start with integrating many sources of internal data, as well as the ability to append external data available from third parties. Also, there's the need for experienced data scientists- individuals who know data, marketing, statistics, and consumer science. This is not a website widget, or a technology solution. These are consultants doing the hard-core work of understanding consumer behavior, translated into customer data analysis.

The results, when done well, are impactful. If only 7% of your customers shop across 3 or more departments, you are not doing a great job of cross-selling (is this a brand problem? Opportunity to bundle?). Over 50% wait for your catalog to purchase because they have been trained to get the 30% discount. Older shoppers spend more of their disposable income with you than younger. Each of these findings gives you a concrete problem or opportunity to solve, with quantifiable goals (increase cross shopping from 7% to 10% in year 1).

However, the big benefits come from the combination of all of this information, developing Segments. The "Fanatics"? They will consider buying anything you want to sell them. Don't drop a catalog. Instead, test email to a digital catalog. They will probably bite, and save you marketing expense. Survey them to see what other products they may like. Give them pre-order access. Hold onto them! The "Lagging"? Build reactivation models to identify which you should focus on to bring into the fold. Your single-category buyers? Build depth in the category, then build breadth across.

But more importantly, can you then communicate across all channels with this information? If she only buys dresses and our goal is to get her to add accessories and casual wear (because we know she's buying elsewhere), can your emails, DM, and app notifications all be consistent? When she comes to your site, can you automatically have a landing page with accessories? The technology exists. It's the strategy that is often lacking.

If you don't know who your customer is, you are missing the biggest opportunity for organic growth in your business. It's time. Your company needs it. The systems in place to send coordinated messages and trigger campaigns are waiting for you to get the smarts together to go after it, strategically and tactically.

It's 2016, and there's no excuse for not knowing who your customer is.

New Rules of Engagement

Lightning-fast advances in consumer technology have added life-changing conveniences practically overnight. Waze shortens our commutes, Evernote keeps us organized and FaceTime gives us instant video calls. As a result, employees, customers and even some in academia suggest business leaders embrace workplace transparency and consumerization to transform the enterprise: open all enterprise communications, leverage (often unsecured) consumer apps and devices at work, and adopt the consumer Internet culture. !

But let's face it: The consumer Internet resembles a virtual Wild West where anything goes. People share astoundingly intimate details of their lives with hundreds -- even millions -- of "friends" and followers, and trolls feel free to attack perfect strangers with venom-fueled posts for which they face no consequences. Meanwhile, the sharing of information can lead to identity theft, cyberbullying and relationship problems. !

Is this the model we want for our businesses?

THREE MYTHS OF ENTERPRISE COMMUNICATIONS

Theory and the real world are often at odds. Three myths of enterprise communications demonstrate why these ideals should remain just that. Don't fall prey to the latest corporate buzzwords. Rather, defy the conventional wisdom that perpetuates these myths and selectively leverage components of them to foster a culture of engagement.

The Myth of Openness: Enterprises should be as transparent as consumers with information and data. Armed with unlimited information, all employees -- and by extension, customers and investors -- will be more successful.

Reality: Taken to the extreme, transparency means every employee could view any electronic communication, including salaries, discussions about employee performance, early views of financial performance and problems with customers—which could then be shared in social media for all to see.

The Myth of Collaboration: By collaborating with others, enterprises will be more successful because employees will help each other achieve goals, regardless of the fact that each person possesses inherently different goals.

Reality: Enterprise employees will never collaborate the way consumers do: competition exists for promotions, pay raises, and recognition in the workplace; it doesn't in the personal world. When people colla borate, they typically don't have a shared goal or outcome. They're working together, but they still have individual goals.

The Myth of Consumerization: Enterprises should adopt consumer applications, technologies, and culture to attract the best and brightest, serve their customers and maintain competitiveness.

Reality: Consumer and enterprise may use similar technologies (mobile devices, publish-and-subscribe architecture, specific applications), but an enterprise must remain a protected, siloed confederation of communities if it is to survive and grow.

Customer engagement offers a means of providing excellent service and mitigating risk by controlling the flow of information from the enterprise to the consumer. Essentially, engagement is the formation of meaningful, communications-empowered connections between individuals, teams, and customers that increase participation across time and space and on any device and lead to better business outcomes – productivity, loyalty, enthusiasm and customer satisfaction.

Bridging Silos

90% of all companies will compete almost entirely on the basis of customer experience by 2016.
- Gartner

From Anger to Advocacy

By preparing for any conceivable crisis, customer engagement provides an opportunity to turn a negative into a positive, resulting in a win for everyone.

Context Is Critical

Shared information must be viewed in terms of context.

Be Proactive, Not Reactive

Rules of engagement also cover how to leverage social media with proactive, immediate responses.

Assess for Success

Deciding which rules to employ requires real-time assessment on a case-by-case basis.

CONCLUSION

1. Establish a named team of IT and business leaders to identify your rules for customer engagement. !
2. The rules should include the types of tools to be used (contact-center channels, social media outlets, etc.), who has the authority to use them, and how much review is needed. !
3. Identify the process for the team to work with internal corporate communications and marketing to educate employees about the newly created rules of engagement. !
4. Determine the structure for formal training programs and whether all or certain employees are required to attend for consistency across the company. !
5. Define success, and then create before-and-after metrics to measure success or failure, as well as a timeframe for measuring. !
6. Don't fall into the trap of consumerization. !
7. Don't manage your organization like a cluster of consumers trying to cultivate the autonomy and free information flow of the consumer world. !
8. Do understand consumer experiences have raised the bar for what it takes to satisfy and delight them. !
9. Develop a strategy for controlled engagement. !
10. Leverage openness to the company's advantage. Control the conversation. If a customer uses social media to criticize you, have a plan in place that your engagement team can quickly activate. !
11. Make sure you understand the difference between collaboration and teamwork — and set up teams with leaders, structure, and common goals. !
12. Evaluate the silos that exist in your organization, both internally between departments and between you and your customer. !
13. Determine the policies for permeating those silos. !
14. Develop a plan to break down silos when, where, and with whom it makes sense.

About the Author

Kevin J. Kennedy
President and Chief Executive Officer,
Avaya