eCRM:
Loyalty programmes

Engaging with your client at the right time with the right offer

cabestan

Loyalty programmes are an important component of any client retention programme. We've previously looked at the steps involved in getting your prospective customers to buy from you and convert to customer status. Now we will be looking at ways you can reward your customers to build loyalty to your brand and encourage them to continue purchasing from you over the long term.

As we know, the cost of attracting a new client is much greater than the cost of getting your existing clients to make larger and more frequent purchases, so money and time invested in loyalty programmes are well spent.

Define Loyalty

What is loyalty? Xavier Bastien, the Managing Director of Cabestan UK, came up with a great definition:

Loyalty is the ongoing process of engaging in cooperative and collaborative activities and programmes to enhance mutual economic benefits for both the brand and its clients. Brand loyalty is the direct result of the brand fulfilling the customers' needs.

This definition makes several important points which are worth flagging up:

- Loyalty building is an ongoing process. It is iterative and constantly self-renewing. Whatever plans you put in place to engender customer loyalty have to be pursued on an ongoing basis. Also you will need to regularly come up with new and relevant ways to enrich your loyalty programme.

- The activities and programmes planned must be both cooperative and collaborative. You are looking to engage your customers in a two-way dialogue rather than a constant push of information in their direction.

- A successful loyalty programme is one which has mutual economic benefits for both parties. You are looking to increase your bottom line by getting your existing customers to repurchase. Your customer base is looking for their loyalty to be rewarded, which can often take the form of financial incentives to repurchase. When you get it right, it is a win-win scenario.

- By understanding and then fulfilling your customers' needs on a regular basis, you will engender long term customer loyalty.

Xavier presents further characteristics of loyalty:

Things get complex because the same client may have different priorities based on circumstances and judgements. The same person can be a budget customer, value customer, quality customer or luxury customer all at the same time. In addition, it is possible to be loyal to a brand, a product and/or a retailer.

This introduces another layer of complexity to the subject:

- Customer behaviour and priorities are always shifting based on personal circumstances. Your job is to track their behaviour so that you can predict what they will do next.

- Identify which kind of customer they predominantly are: budget, value, quality or luxury - but it is imperative not to be too rigid in this thinking as customers' priorities change with each purchase.

- You need to understand where your customers' loyalty lies: to your brand, to a particular product or to a specific retailer? This will have an impact on the communications you target them with.

Short and Long Term Objectives

One You are targeting both short term and long term objectives with your loyalty programme. These break down as follows:

Short term

- Increase the purchase basket of your client

- Engage your client in a two-way dialogue so you can begin to learn more about them and educate them about your brand

Long term

- Encourage customers to increase the RFM (Recency, Frequency & Monetary value) of their purchases leading to an increase in both the lifetime value of a customer and their profitability

- Reinforce the relationship between clients and your brand by participating in relevant dialogues

- Turn clients into Brand Evangelists who will spread positive messages about your brand across their networks

Four elements

The full spectrum of the loyalty mix is made up of four elements applied both pre and post-transaction.

These four elements are:

- **Access** – how accessible is your retail outlet, whether online or bricks and mortar? When shopping online, how easy is it for customers to receive delivery of their goods? Is it convenient to shop with you? Also, what kind of aftercare/service do you provide?

- **Price** – how do your prices compare with competitors and the value the customer places on the item? Do you offer free delivery? Any extra charges?

- **Brand** – does the customer connect with your brand? Do they understand and relate to your brand? Do they want to tell their friends about your brand?

- **Assortment** – how is your stock availability? What kind of selection and range of products do you have? Is their favourite colour available when they want it? Do you have the product capacity/availability to cross-sell and up-sell to your client?

Requirements

What do you need to get started?

- **Historical data.** Any information you have tracking your clients' behaviour is going to help you to construct a pattern. We are looking for a story of their behaviour over time rather than a snapshot of the client at one moment in time. Remember we talked about their shifting priorities above? You want to have tracked enough of their behaviour that you can predict the triggers which will cause them to react certain ways. That then allows you to market to their specific requirements. They'll think you're amazing since you always seem to know what to say to them. This will result in more purchases

- **Analysis tools**. You will need advanced statistical reporting in order to define preferences and interests both in individual clients but also trends across the pool. Good analysis of past actions allow you to predict future behaviours.

Find the rules

Once you've mined the data and looked at statistical analysis, you can start to establish what the rules are for your customers' behaviour. Your objective is to find performance indicators which allow you to make decisions quickly. You want to know that a customer who has this kind of profile often buys that kind of product. Or that customers who bought product A and product B usually buy product C either in the same time frame or one month later. An example of this from Walmart is that customers who buy disposable diapers at 6:00pm on a Saturday are also likely to buy beer.

These patterns, once recognised, give you a tremendous marketing advantage. By anticipating customer behaviour you can send them timely and appropriate offers. This allows you to engage with your client at the right time with the right offer – the objective of your loyalty programme.

Exemples

Amazon are brilliant at building customer loyalty. By tracking both your purchase history and your browsing history they are able to send targeted email offers on a regular basis. When you log into your account they are able to make suggestions of other books or products you might like based on what you've previously bought. They make it easy by throwing in free shipping and allow you to purchase gifts for other people storing their addresses in your address book. They will even gift wrap and include a note for you. By anticipating customer demand, communicating relevant offers, and providing a good level of customer service, they are able to develop long-term relationships with loyal customers who will return to Amazon over and over to repurchase.

Florajet.com are an online florist. If you order a bouquet of flowers from Florajet, they track the date you bought them and who they went to. So for example, if you went online to buy flowers for your mother's birthday to be delivered on May 12th, this date would be tracked and a year later you would receive an email reminding you of the birthday and asking if you would like to send flowers. It's simple, but highly effective in building customer loyalty.

Conclusion

We've established the foundation for a loyalty programme with Part One. Please join us next month for Part Two where we will look at loyalty programmes applied across various scenarios. We will also talk about how to build loyalty with social media and see what we can learn from some further case studies.

About Cabestan

Cabestan are specialists in consumer engagement by Email and SMS.

As industry leaders for over 12 years, Cabestan develops the only SaaS platform to coordinate and orchestrate your marketing campaigns. The **Cabestan** platform provides a flexible way to manage your relationships across the entire customer lifecycle.
Our solutions give you a 360° view of customer data allowing you to plan and deliver personalised and real time marketing communications resulting in greater marketing effectiveness.
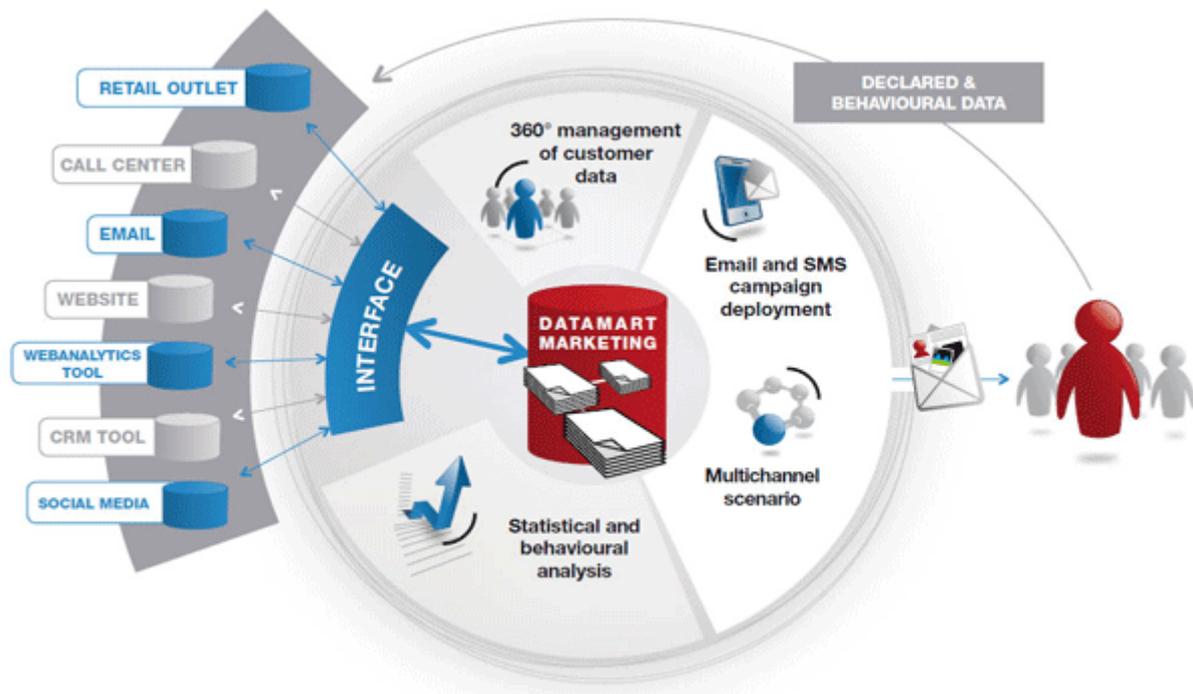
Cabestan's platform delivers the following powerful tools:

- 360° management of customer data
- Email and SMS campaign deployment
- Multi-channel campaign management
- Statistical and behavioural analysis with real time data

Companies using **Cabestan's** campaign management platform include: **Axcion, General Electric, Toys "R" Us, Estee Lauder, Symantec, Yves Rocher, GDS Suez and Renault.**

Cabestan is a global company with offices in London, Paris, Madrid, New York and Montréal.

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