COMARCH

# A GUIDE TO BUILDING CUSTOMER-CENTRIC LOYALTY PROGRAMS: 16 ACTIONABLE STRATEGIES

# INTRODUCTION

'Customer loyalty' has taken on new meaning in the wake of the COVID-19 crisis. The traditional definition of loyalty is being challenged by the new normal, and needs to be re-defined. At a time when consumers are more willing to switch brands or try alternatives, **how can brands ensure customer satisfaction, retention, and loyalty?**

A recent survey[1] conducted to understand consumer trends during COVID-19 revealed that consumers care about availability. If products are unavailable, 41% consumers said they would turn to less familiar brands as options. However, some of the consumers surveyed said they would stick with their brand preferences, which proves that customer loyalty is not dead.

**34%** said they would wait until the store restocks their preferred brands

**29%** said they would try other stores to find the products

**18%** said they would choose to sign up for product restocking updates

This behavior shows the importance of a strong customer loyalty strategy for brands in all industries. Consumers today feel that brands need to work harder to earn their loyalty, especially as switching to other brands or products is as easy as a 'click' or 'tap.' Nearly 70% of consumers[2] agree their loyalty is more difficult for a retailer to maintain than ever before, while 88% agree retailers could do more to earn their long-term loyalty.

Brands need to understand what makes their customers loyal to them, as it can be unique for each brand and this ultimately reveals insights as to what customers want and need from the brand. This requires a rich understanding of consumer psychology and a change in the organizational mind-set that puts customer-centricity at its core.

**In this white paper, we will explore how changing consumer psychology is impacting buying decisions and propose 16 actionable strategies that brands can implement to connect with their customers at a deeper level by enhancing their company culture, loyalty strategy, and loyalty program.**

## UNDERSTANDING CONSUMER PSYCHOLOGY

Before we dive into what brands can do to keep their customers happy and turn them into brand advocates, it is important to understand the consumer mindset, especially in uncertain environments.

**What is going on in their head and how is that impacting the decisions they are making?**

According to consumer psychologist Kit Yarrow[3], no matter the external factors at play, all consumer purchasing decisions are "shrouded in emotions, which influence everything we buy, whether we know it or not." This emotional dimension intensifies in times of crisis which means buying decisions are also impacted. Consumers do not make decisions in a rational manner. This irrational and emotional state of mind results in a trio of buying states: "panic-buying," evidenced by the mad rush on toilet paper that ensued; "social buying," whereby shoppers grab what everyone else seems to be scooping up; and "frozen buying," which finds consumers retreating from buying altogether, paralyzed by fears like, "'my 401k looks pretty bleak; I'm afraid I'm going to lose my job".

In this elevated emotional state, brands have an opportunity to stand out by offering the support that the consumers need to build a deeper and long-term relationship that can continue once the crisis is over..

*According to a recent survey[4], more than three-quarters of Americans say that how a company treats employees and customers during the pandemic will be an important factor when determining whether to support them in a post-COVID world.*

## SO, WHAT CAN BRANDS DO DURING A CRISIS?

**Focus on fostering goodwill:** During crises, consumers are making a silent note of what brands are doing and increasing their support for brands that align with their values and beliefs. Brands cannot just talk the talk – they need to walk the walk and demonstrate what they stand for and support through their actions. Sometimes this might mean offering something for nothing, but this can have long-term benefits for the brand.

A best-in-class example of fostering goodwill is Ford Motor Company's response to COVID-19, which aligns with their aspiration to become the "world's most-trusted company". Ford and GE healthcare joined forces with 3M[5] to assist in the production of health equipment, including respirators for those who are having trouble breathing due to the coronavirus. They also prioritized their current customers by pausing sales to new customers. The company stopped running ads promoting its Escape and Explorer models and replaced them with information about a car payment relief program that gives customers respite from their monthly expenses. These decisions are consistent with the company's response to global and national events in the past. During the World Wars, the company led manufacturing efforts and built tanks and planes. In response to natural disasters, Ford has offered relief in the form of similar programs that it is currently extending to customers now.

There were several other brands that stepped up during the crisis and focused their efforts on ensuring safety for the larger community instead of focusing on their bottom line. Fashion brands like Love Your Melon leveraged their domestic manufacturing network to create 50,000 machine washable and reusable face masks. The masks were donated directly to children's hospitals and care facilities.

**Help consumers become part of the movement:** Consumers are becoming more socially responsible[4] in light of crises. Brands should provide opportunities for consumers to become part of the movement through charitable donations and actions they can take to do their part. Kroger's Zero Hunger | Zero Waste Foundation announced a $3 million commitment to rapidly deploy hunger-relief resources to communities disproportionately impacted by the coronavirus (COVID-19) pandemic. In addition, the company is making it easy for customers to support the foundation's mission by allowing them to choose to round up their purchases to the nearest dollar at every self-checkout lane in America or donate at ZeroHungerZeroWasteFoundation.org. The above strategies are imperative for brands during the crisis. How brands act at this time will have an impact on how they are perceived post-crisis. Brands need a well thought-out and proactive long-term plan that resonates with changing consumer behavior and expectations.

## ADOPTING A CUSTOMER-CENTRIC CULTURE

**What does it mean to be customer-centric? To make customers the focal point when making key decisions:** Customer-centric companies live and breathe their customers and are laser-focused on providing amazing experiences. They are innovative and strive to do good in the world. These companies disrupt their industries and are often rewarded with growth and increased revenue. Becoming a customer-centric company is not an easy task. It requires organizational changes that impact a brand's value, mission statement, and strategies.

**Loyalty Marketing versus a Loyalty Program:** We use these two terms almost interchangeably but there is a simple difference between them, and it is critical to understand the difference to ensure proper decision-making for a brand and its stakeholders:

Loyalty marketing is the overarching strategy that a brand needs to develop deeper connections with their existing customers, while a loyalty program is a tactical mechanism to support that strategy.

Given the changing consumer behaviors and expectations of brands, it is time to incorporate the concept of customer centricity in the overarching brand strategy, which will trickle down to their loyalty strategy and eventually loyalty programs.

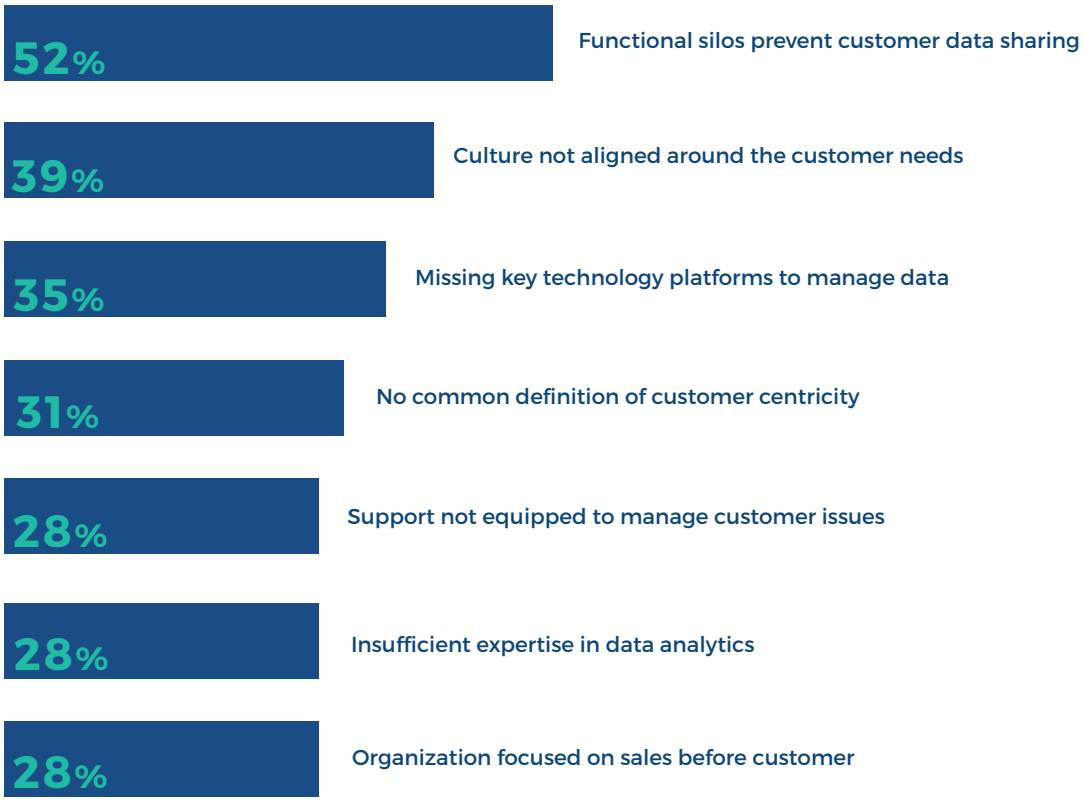
**Why should brands become customer-centric?** Brands that have superior customer experience bring in 5.7 times more revenue than their competitors.

> *"Client-centricity is the most important factor in a successful business digitalization, since client-centric companies are 60% more profitable compared to companies not focused on the customer."*

Deloitte, July 2017

**How can brands become customer-centric?**
Becoming a truly customer-centric organization takes time and does not happen overnight, but brands can start off small. As per MarketingProfs, the two biggest challenges preventing companies from becoming customer-centric are not being able to share customer information across departments and having a culture that is not aligned around the customer needs.

## WHAT CHALLENGES DO YOU FACE IN ACHIEVING A TRULY CUSTOMER-CENTRIC ORGANIZATION?



# 16 STRATEGIES

## FOR BECOMING CUSTOMER-CENTRIC:

## BRAND CULTURE

### 1 BE PASSIONATE ABOUT SERVING CUSTOMERS:

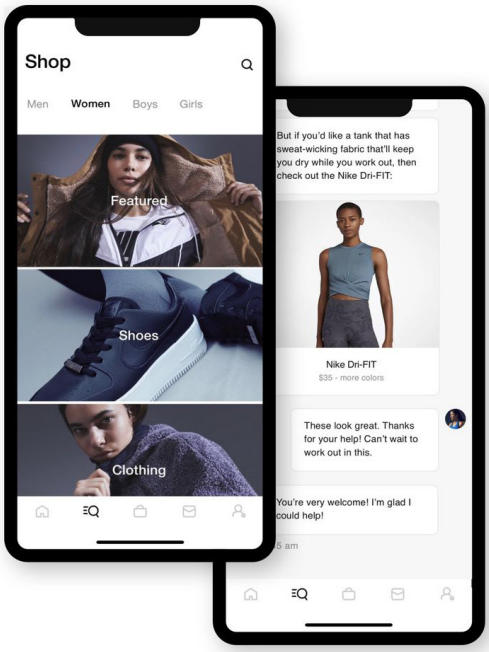
Amazon founder, Jeff Bezos, has the goal to be the "most customer-centric company on Earth." This ambitious mission statement drives all of Amazon's innovations, from delivery drones to Amazon Prime – they start with the customer and work backwards. This was also seen in their COVID-19 response when they prioritized taking care of their existing customers versus acquiring new customers. Amazon takes a data-driven approach and invests in new technology to hyper-personalize the customer experience.

### 2 START WITH WHAT CUSTOMERS WANT & NEED AND THEN USE THAT DATA TO DEVELOP RELEVANT PRODUCTS AND SERVICES:

Zappos does a great job of demonstrating that they are all about serving their customers. The company does not have limits on call times with its customer loyalty team and Zappos reps are encouraged to stay on the call until they fully address the customer's problems. By giving customers the time and attention that they need, Zappos can stay in tune with their target audience and gather valuable data to enhance their products and services.

## 3 BUILD MARKETING STRATEGIES THAT FOCUS ON EMPHASIZING WIIFM (WHAT'S IN IT FOR ME):

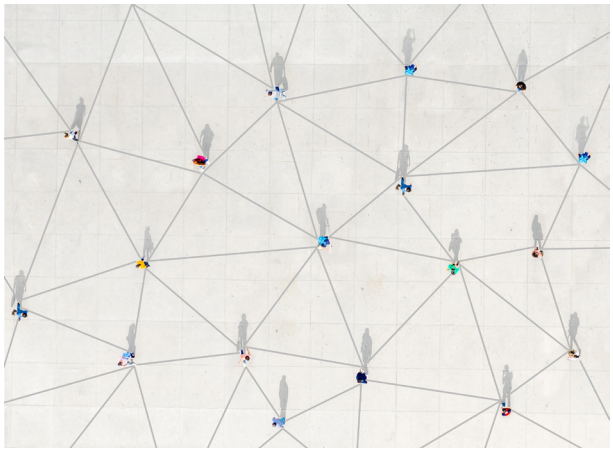
Nike has always focused on selling the benefits of the product, rather than just the product itself. Because Nike puts customer health at the forefront of its marketing strategy, customers now associate the brand with health, wellness and exercise. Nike's loyalty app, Nike Training Club, supports this vision seamlessly by providing a platform to track their activity and offering relevant product recommendations. The brand even introduced exclusive member rewards for customers that use the activity app. It provides members with personalized access to limited edition product collections that correspond to the training activities they frequent the most. In addition, Nike has also taken a stance on political and social strategies, which helps them connect with their customers and target audience on a deeper, emotional level.




## 4 BREAK DOWN SILOS TO INCREASE DATA TRANSPARENCY ACROSS THE ORGANIZATION AND PROVIDE A 360° VIEW OF THE CUSTOMER:

Approximately 52% of organizations believe that the biggest challenge in achieving customer centricity is the presence of functional silos that prevent customer data sharing. Establishing common objectives, using data as a unifying force, and using effective supporting technology are key to breaking down silos and attaining a holistic view of the customer.

Wegmans, for example, has a unique supply chain as they control the entire distribution process. They also effectively sync their data with local and national suppliers, which means that their product data is consistent and harmonious. This trickles down to the customer experience – because inventory is always accounted for, shopping at Wegmans becomes frictionless for customers, as they are kept in the loop about out-of-stock items.



## 5 FOCUS ON BUILDING RELEVANT PARTNERSHIPS TO MAXIMIZE CUSTOMER EXPERIENCES:

A good example of this is a partnership between Starbucks and Spotify, two seemingly disconnected brands with a common foundation of mobile loyalty. On one end, Starbucks was able to provide premiere coffee-shop music and incentivize Spotify users to join its loyalty program. In return, Spotify was able to grow its subscriber base with a Starbucks incentive that earned members rewards such as free coffee.

# LOYALTY STRATEGY

**How should the loyalty strategy support customer-centricity?** Let's circle back to the emotion-driven purchase decisions made by consumers in turbulent times. There is an opportunity here for brands to incorporate an emotional angle to their loyalty strategy to help ensure customer-centricity. According to Forrester, behavioral loyalty represents the actions customers take to maintain a relationship with a brand whereas emotional loyalty represents how customers feel about their interactions and experiences with a brand. To achieve emotional loyalty, brands must build and maintain three key components: affinity, attachment, and trust.

## 6 UNDERSTAND THE CUSTOMER JOURNEY TO PROVIDE SEAMLESS AND EMOTIONAL EXPERIENCES:

The customer journey is no longer linear. Today's consumer is often interacting with multiple channels and devices simultaneously. It is now imperative for brands to map out their customer's journey not only through the customer lifecycle, but also throughout a customer's life. For instance, an apparel brand can send a congratulatory gift for a newborn baby if they collect this type of self-reported data from their customer. Mapping out the customer journey also helps identify gaps and challenges that are hindering the objective of providing seamless experiences.

## 7 PERSONALIZE EVERY CUSTOMER INTERACTION WITH THE POWER OF DATA & TECHNOLOGY:

Consumers expect personalization from brands: 63% of consumers expect personalization[6] as a standard of service and believe they are recognized as an individual when sent special offers. Meanwhile, 54% of customers are willing to share personal information with companies if it will be used to create a personalized experience. After mapping the customer journey, brands should develop an effective personalization strategy for every touchpoint and leverage the power of customer data and AI powered technologies to bring this to life.

## 8 ENSURE TRANSPARENCY TO BUILD TRUST:

According to a customer loyalty engagement index, consumer expectations for trust increased across all product and service categories and brands by an average of 250% year-over-year[7]. Earning consumer trust is not an easy feat. One key method of building trust is to be forthcoming and transparent as a brand from the very first consumer interaction. Clearly state what the brand stands for, what it values and how it is going to add value to the consumer's life. A good example of transparency tactics include displaying real-time information about product availability, pricing details, cancellations, returns and ways to earn and redeem rewards.

The leader on the list[8] for the most trusted brands in 2020 is Whole Foods. They improved in trust expressed by consumers from 2018 (27%) to 2019 (36%). Consumers trust that the brand will support their healthy lifestyle by being transparent about food ingredients[9] that they consider unacceptable, which goes beyond USDA requirements.

## 9 LISTEN TO CUSTOMERS:

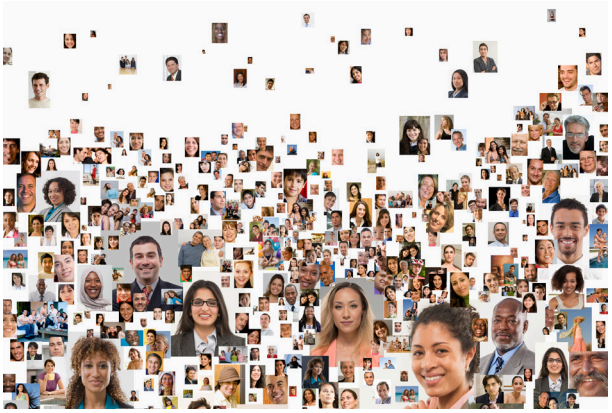
To be emotionally connected, it is important to listen to the wants, needs, dissatisfactions, praises, and anything else that the consumer has to say about the brand. Leverage social media listening, incentivize customers to fill out surveys or provide honest feedback and conduct focus groups to keep the brand's 'listening ears' in tune to what they have to say.

## 10 BUILD A LOYALTY PROGRAM FOCUSED ON THE CUSTOMER'S NEEDS:

Loyalty programs help build relationships with customers, thus increasing their overall trust in a company and enticing them to become repeat visitors. When executed well, this is an incredible tool that helps build customer loyalty, alongside other key factors such as product, price, and customer service. 77.84% of consumers said the product is what inspires their loyalty to a brand, while 62.96% said price, 26.14% said customer service, and 22.34% said a loyalty program[10]. Through deeper understanding of the customer journey and constantly paying attention to customer feedback, brands can provide relevant and engaging ways to help customers earn and redeem rewards. Head to the next section to learn how loyalty programs can support a customer-centric loyalty strategy.

## 11 CONTINUOUSLY TEST AND LEARN:

Consumer behaviors and preferences are everchanging and brands need to keep up through continuous experimentation and testing. The beauty of testing is that it can be done on different scales – from piloting a new loyalty program in specific markets to more tactical testing to determine what types of rewards would be most redeemable, test-and-learn strategies help back hypotheses with data so brands can make informed decisions. With the advent of automation and AI, the process of testing has become more effective and reliable.



# LOYALTY PROGRAM

## 12 REMOVE FRICTION:

The loyalty program landscape is getting denser and brands are fighting to be part of a consumer's busy routine. The easier it is for the consumer to sign-up for a loyalty program, earn loyalty currency and redeem this currency, the more likely it is that they will engage regularly. The key is to ensure convenience, which will ultimately foster a frictionless experience across devices and channels.

For example, the Enterprise Plus rewards program makes it very simple for potential members to join and earn points. In this program, dollars spent are equal to points earned, and points can be redeemed for free rental days with no blackout dates.

## 13 REWARD INSTANTLY AND FREQUENTLY:

On average, people belong to 14.8 loyalty program[11] memberships, but are only active in about half (6.7) of them. This shows that though it might be easy to acquire new members, keeping them engaged is another story. One of the biggest mistakes brands make with their loyalty program is making members wait too long to be able to redeem the points they have earned for rewards. This can lead to inactivity and attrition if not addressed. Building in the possibility to offer rewards more instantly and more frequently helps keep the members active and engaged.

For example, brands can offer the choice to earn points or redeem instantly by buying a book, movie, magazine or other voucher for completing a purchase or a task such as adding preference data in their profile. These small perks keep members connected with the brand and increase their emotional quotient as well.

## 14 GIVE CUSTOMERS THE 'POWER TO CHOOSE':

Consumers expect personalization from brands in terms of the rewards and offers they receive, but some are reluctant to share their information. As per the 2020 Loyalty Barometer Report, 85% of consumers would like to select the benefits and rewards they receive by personalizing their loyalty program based on their specific purchases and individual preferences. Consumers want brands to strike an appropriate balance between data collection and a 'choose your own adventure' approach. Consumers are often uncomfortable with brands collecting excessive data about them and they prefer brands use the information specifically provided by them.

Three-quarters of respondents also expressed an interest in having brands personalize the way each customer earns points, in addition to personalizing the rewards themselves.

By giving members the power to choose what activities can help them earn points as well as the rewards they receive from doing these activities, brands can take personalization to the next level. This approach is highly customer-centric as it puts the customer's needs first and can have a huge impact on the lifetime value of a customer (CLV).

*Consumers are wary of allowing brands to use their location data, but 59% said they are comfortable allowing brands to use their purchase history. Some 53% accept brands using gender, while 42% cited self-selected profile preferences, 30% cited browsing history on a brand's site, 29% cited current location, 25% cited address, and 21% cited income.*

## 15 SURPRISE & DELIGHT:

59% of consumers[12] consider "surprise and delight" mechanisms to be a crucial part of a brand's engagement strategy. Customers want to be acknowledged and feel appreciated for their loyalty and brands need to consistently show their appreciation. Surprise and Delight fosters a unique bond with customers by showing that the brand understands who they are and how they interact with the brand.

For example, Italian dining restaurant chain, ASK Italian, offers discount-based birthday rewards but adds an element of surprise and delight by celebrating half birthdays.

## 16 GAMIFY:

To "gamify" something is to take components of gaming that make it engaging and addictive and apply them to an otherwise ordinary process. As you can imagine, a tool that can make a loyalty program more engaging is beneficial for any brand. According to Snipp, brands that incorporate gamification into their customer engagement strategies see a 47% rise in engagement, a 22% rise in brand loyalty, and a 15% rise in brand awareness. The same study also found that more than two-thirds of the world's top 2,000 companies have already embraced gamification. Using a strong gamification strategy allows brands to encourage recurring behavior, incentivize specific actions and engage members beyond transactions.

For example, Redbox does a great job of incentivizing members to rent and purchase specific genres of movies by rewarding them with badges based on their transactions.

# SUMMARY

No two brands are the same, nor can they use the same strategy to become customer-centric and inspire long-term customer loyalty. There are, however, a number of strategies brands can use to show that they put the customer first. In order to do so, they must truly understand their customers and what they want and need from the brand. This requires a change in the organizational mind-set to put customer-centricity at the core of everything a brand does. In this white paper, we have explained 16 different strategies brands can use now to start fostering long lasting connections with their customers.

- Consumer purchase decisions are influenced by their emotional state, and this intensifies during unstable times.
- Brands need to adopt a customer-centric culture in their organization to meet changing consumer expectations. The loyalty strategy and loyalty program should align with this culture.
- To achieve emotional loyalty, brands must build and maintain three key components: affinity, attachment, and trust. A customer-centric loyalty strategy should understand the customer journey to provide seamless and emotional experiences, personalizing every customer interaction with the power of data and technology
    - Ensure transparency to build trust
    - Listen to customers
    - Build a loyalty program focused on customer needs
    - Continuously test and learn
- Enhancing the loyalty program can help deepen customer relationships in many ways. By removing friction, rewarding members instantly and frequently, giving customers the 'power to choose', using 'surprise and delight' tactics and including gamified elements, brands can create a loyalty program that promotes lasting customer loyalty.

# HOW CAN YOU MAKE ALL THIS HAPPEN?

Having a proactive and forward-thinking approach to your loyalty strategy is not always easy, especially in times where our customer base faces uncertainty - that said, Comarch is here to help. Our loyalty strategy consulting team has over 20 years of loyalty & marketing consulting experience across the globe.

Our seasoned team consists of loyalty and customer engagement specialists with digital expertise. We support our clients across a variety of industries and deliver applicative results in loyalty strategy, program redesign, and business performance improvement.

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## ABOUT COMARCH

Founded in 1993, Comarch has over 25 years of experience in designing, implementing and integrating IT solutions for large enterprises in a variety of industries: airlines, travel companies, telecoms, financial institutions, as well as retail and consumer goods companies. Comarch's CRM & Marketing portfolio – which includes the award-winning Comarch Loyalty Management (CLM) system – is an advanced set of solutions dedicated to marketing processes and activities, building loyalty and maximizing engagement. Comarch is a true end-to-end loyalty and engagement provider. Aside from best-in-class technology and product sets, Comarch also offers a full suite of managed services to guide customers throughout the entire loyalty program lifecycle. With thousands of successfully completed projects, 20 data center locations and more than 6,500 employees in over 90 offices around the world, Comarch has the support and infrastructure necessary for high-volume rollouts.

info@comarch.com | www.comarch.com