

OCC CUSTOMER LOYALTY TRENDS IN RETAIL 2019

Today's shoppers have endless choice. They frequently move between different brands and they want instant gratification. In this modern era of unlimited choice and one-click immediacy, customer loyalty is fleeting and it's increasingly challenging for retail marketers to define what makes a shopper keep coming back for more

Often a little can go a long way

With the tiniest inconvenience, or misplaced message, souring a shopper's overall perception of the brand, marketers are challenged not just to meet, but exceed all customer expectations along their path to purchase.

From providing personalisation on a level that resonates with shoppers (and doesn't come across as creepy); to striking the right content and cadence of marketing messages to generate revenue without over emailing subscribers; retailers are faced with a marketing catch-22. Faced with a horde of potential marketing channels and tactics to earn customer loyalty, it's nearly impossible to discover what really

works. But it is clear, in order to succeed, brands need more than a great product and unique marketing plan. Retailers need to build an emotional connection with their shoppers and to invest in customer loyalty. Although challenging, a little bit goes a long way for modern shoppers. And once you surpass the hurdle and make customers feel valued, the return on investment will be undeniable.

With this in mind, I take a look at some of the big consumer trends retailers should consider to build a successful loyalty programme in 2019.

Why loyal customers are worth the effort

Research shows that existing customers spend significantly more than new customers. What's more, when customers are loyal to a brand, they'll go the extra mile. Data shows more than half of customers will tell their friends and family about a brand they are loyal to, creating free and powerful word-of-mouth marketing. Even more, those new customers referred by your loyal customers have much higher lifetime value than any other shoppers. In short, in this ultra-competitive landscape, customer loyalty is a big deal.

"Customers like to create a narrative, a reason to shop with us, maybe even a reason to pay more for a particular product."

What's it all about?

When you think of a loyalty programme, what comes to mind? Points? Discounts? Scanning a loyalty card? Traditionally, that's what loyalty programmes look like. And just about every retailer invests heavily into loyalty programmes that all look very similar.

But do these programmes build true loyalty? Do they really capture shopper's hearts and wallets?

In the Age of the Customer, where shoppers can order anything from anywhere at the best price, differentiation must occur at the brand level, and loyalty programmes are a tremendous asset here.

But most traditional loyalty programmes are the same - often requiring many purchases to earn rewards or to redeem points. Programmes like this really focus on the retailer. They aim to drive short term revenue by requiring consumers to transact upfront with the hope of getting a reward later. What's missed here is the opportunity to create deeper, more meaningful relationships.

Rather than putting the retailer first, put the customer at the centre. While the points, discounts, and cashback still do elicit emotions, experiential benefits and connecting on a human level have deeper, longer term effects and drive emotional loyalty. Modern customers want to feel special and buy from brands that they feel an emotion connection to.

As Gabriella Johnson, Loyalty Team Lead, John Lewis, says:

By understanding everything about your customers including their expectations, emotions, and behaviour, you can offer them exclusive benefits. While transactional rewards – like free delivery or discounts – can make customers feel smart and excited because they are saving money; exclusive loyalty rewards make customers feel special and valued.

When you build relationships with your customers in this way, you're building emotional loyalty. That means they are engaged at a deeper level than simply going where there's a discount.

For example, Sephora Beauty 'Insiders' know that in addition to points for purchases, they're also getting an experience not available to non-loyalty members, or 'Non-Insiders'.

In-store beauty services, free beauty classes, and access to the Beauty Insider Community come with loyalty membership and members know they're not getting those experiences at the competitors.

So, what should you be considering to boost your loyalty programme in 2019?



Share your brand values

Retailers will need to be ever-aware of the social changes taking place to ensure they remain relevant and attract shoppers throughout the year ahead. Last year we saw a wealth of information coming into the mainstream media including documentaries such as David Attenborough's Blue Planet, bringing social and environmental issues to the forefront of consumers' minds and they have started to change their shopping habits as a result.

In this light, it's never been more important for customers to share an emotional connection to your brand. To foster such a connection your marketing initiatives and loyalty programmes should remind customers of your values, your mission, and your story.

A loyalty programme is one of the best ways to express your brand mission and values and put them into action. As mentioned above, modern customers favour loyalty programmes that reward for activities other than purchasing. This way, your customers feel they are contributing to something they believe in.

Consumers no longer buy simply on price. There are a wide variety of macro-trends that influence what and how they live, feel, communicate and shop.

In turn, retailers looking to stand out from the crowd should concentrate on how they can have a direct impact. Consumers want to see how brands are reducing water consumption or minimising single-use plastic. The key here is that actions will speak louder than words.

If retailers fail to keep up with consumer expectations, they will vote with their cash. Brands now have the opportunity to not just compete on price, service and quality, but also ethos. If they get this right, they have the rare opportunity to create loyal customers.

In 2019, OCC predict an increase in customer demand for retailers to respond to specific issues and provide products that meet consumers' new priorities. For example, we expect to see more loose produce on shelves; an increase in recyclable packaging in supermarkets; a rise in retailers offering a

charitable donation alongside product purchases; and retailers to become more transparent and sustainable along their supply chain. How you build this type of thinking into your loyalty programme might just provide the difference between surviving and thriving in the year ahead.

A great experience, product and brand mission, alongside superior customer service is a start, but you should also ensure your natural brand ambassadors get value for their loyalty.

What each retailer or brand focuses on will vary depending on their product and customer base, but value-based shopping will certainly become an increasing demand; and this will play a major role in customer loyalty. When shoppers feel passionate about a brand, they start bringing it up with friends and family, and want to share it with the world.

As Dean Harris, Marketing Communications Planner, The Co-op, says:

“Harley-Davidson is a great example of a brand that gets it. They have fans that affectionately put a Harley Davidson tattoo on their arm. You don't get this with Ford or Honda, or anyone else.”

Hi “First Name” is no longer enough

As we have learned, customer habits are changing. Shelf prices matter a lot, but modern shoppers value product quality equally and great service nearly as much. Younger generations have different attitudes about loyalty than their parents. Personalised offers, ecommerce and digital engagement can be more important to millennials than price. Earning shopper loyalty requires retailers to understand and satisfy shopper needs better than the competition.

In short, customers are becoming more sophisticated and demand more from retail brands. As a result many of the high street’s loyalty programmes aren’t doing as well as they did in the past.

In a recent survey of marketing professionals across Europe by Adobe on customer loyalty, 75% admitted they are struggling to keep up with rapidly changing consumer habits. A corresponding survey of 1,000 European consumers found that almost two thirds of consumers report loyalty to brands that tailor their experiences to their preferences and needs.

Relevant personalisation then is the key when it comes to customer loyalty in 2019. Where general adverts are an annoyance to our online shopping experience, what customers do like, and now even expect, are personalised product recommendations while we shop. Customers want to be recognised personally on all channels. They want a message that’s tailored to them, including product recommendations based on what interests them. Most of all, they want to feel appreciated.

And remember, shoppers might be loyal to certain departments in your store, but not to your brand overall.



Unified customer journey

To truly succeed, you must fully understand your customer. An on-brand and unified experience ultimately contributes to higher customer engagement. Your customers should get a sense of your brand in every interaction they have with you. Your loyalty programme is a great way to push for a consistent and seamless experience from the discovery and research phase all the way to purchase. Investing in this will result in a faster path to purchase and increased brand advocacy.

There are a number of ways a stand-out, unified experience can be achieved in 2019. Firstly, OCC expect to see an increasing focus on customer experience within stores. We will see a rise in the use of digital features in stores to provide a more interactive experience for shoppers. The aim is to engage shoppers along the entire journey towards the ultimate point of purchase. The key advantage that bricks-and-mortar stores have over online sites is the ability to bring the product in to the hand of the customer before they make a purchase.



Providing interactive options for shoppers to give them the extra information they may need to make the purchase will only strengthen a retailer's conversion to a sale. In 2019, we will see more and more of the integration of the online shopping experience with physical retail space (also known as online-to-offline commerce.) It's why Amazon is opening bookstores. Online-to-offline can be complex to execute but, combined with a powerful brand story it will provide the retail experience that modern customers demand.

A second way to achieve a stand-out unified experience this year is by promoting more interaction among customers and between customers and staff. In this way, retailers can motivate consumers to have more meaningful real-life connections. Marks & Spencer has led the charge in this area. It launched mental health drop-ins in some of its in-store cafes last year.

The Frazzled Café's fortnightly sessions are hosted by trained volunteers and provide a space "where people can talk openly with others who understand how they are feeling."

This is also particularly true at Richer Sounds. In a market where TVs and sound systems can be bought anywhere from a supermarket to an electrical superstore, Richer Sounds thrives on personal service and investing time talking to and advising customers. They know their products and, perhaps more importantly, they know their customers too because they have the data for both to hand. Their staff are empowered by knowledge and their expertise adds value to the products they sell, which is a fundamental part of their proposition.

As David Botines, Senior Manager, New Space and Future Planning, John Lewis, says:

"Store's aren't just a transaction point, they're an experiential point. It's about recognising that loyal, long-term customer relationships add more in the long run than short-term sales."

Thirdly, high streets will likely see more niche shops, concept stores and pop-up shops that offer something a bit different or special to customers. Concept stores offer high street shoppers the experiences they are looking for when they shop. Quirky, interesting, and engaging concept stores offer a shopping experience that cannot be replicated online. The product of course is important, but it isn't the focus – the focus is on providing fun and interesting ways for the customer to engage with the brand.

Similarly, across grocery retail particularly, several retailers are choosing to focus in on specific categories, seeking differentiation, authority and destination status. Be this in wine, cheese, food-on-the-go, or health and wellness, supermarkets are demonstrating that being famous for something provides a reason to come in store. Food has an aroma. Food has a taste. Amazon can't provide tastes and smells. Supermarkets can, but don't. What a wasted opportunity.

Finally when thinking about a stand-out experience, it's important to remember the value of print content for loyalty in 2019. Selling, and therefore loyalty, has always been about storytelling – i.e., C2C, or content-to-commerce. A great example is Net-a-Porter. Perhaps surprisingly – or not so – the highest-spending customers on Net-a-Porter are also the customers most engaged with their print magazine's content. Those who subscribe to the print magazine shop more frequently and spend more. Combining content and commerce is an ever-more important way to excite customers in the year ahead.

Ultimately, compelling storytelling, coupled with in-store experiences that excite, is all about giving the consumer a 'reason to visit.' And giving consumers a 'reason to visit' will be crucial for shopper loyalty in 2019.



Data is crucial for success

If you haven't already, take a close look at your data. The benefits of a single view of customer data across the business can't be underestimated when it comes to loyalty. It helps with everything from building individual customer profiles and understanding their needs, to solving queries in a call centre.

At their core, successful retailers are customer centric – concentrating on everything from offering convenience and choice around delivery options, to understanding customer needs and wants. To succeed, you'll need to understand your customer's shopping behaviors and trends, alongside their feedback and thoughts about your brand.

Leveraging data, successful retailers deliver a consistent proposition across all channels, often in multiple markets and locations. They have single views of their customers, stock and operations, underpinning effective delivery and seamless communications. They use their finely honed data to make decisions about their business, their products, their loyalty programme and their strategy to respond to opportunities faster than their competitors. The question is: are you doing the same?

Conclusion

Customer loyalty is more important than ever. In order to succeed, retailers need to build a unique loyalty strategy that takes into consideration key elements of brand values, user experience, and ease of use for customers. Loyalty programmes need to tell the story of your brand while still nurturing and building a trusting relationship with your customer – only then will customers become loyal shoppers and better-still brand ambassadors.

Retailers need to use their loyalty programs to really showcase what makes them special and unique. Amazon Prime doesn't just offer its members fast, free shipping. Prime is the only way to everything that Amazon has to offer, including experiential benefits like Prime Video.

Relationships are powerful. They are what keep customers engaging repeatedly. No doubt modern consumer's loyalty is shifting. But ultimately loyalty programmes should focus on maintaining a relationship with a customer and increasing the lifetime value of that customer. In this sense, it's all about getting back to basics. Marketers need to execute the basics well at very granular levels. The best retailers will get their data and processes in good order first, as they start approaching loyalty differently.

Final Thoughts

Maintaining a loyal shopper base remains the most effective way to compete and grow. Loyalty has to be earned, consistently.

Retailers need to engage with their loyal customers while not inundating them with constant communications. This means retailers everywhere need to get creative with their marketing and retention. In today's Age of the Customer, meeting and exceeding consumer expectations should be the priority of any retailer's loyalty programme – and this requires combining transactional benefits with experiential benefits.

In a time when differentiation at the brand level is more important than ever, retailers need to use their loyalty programs to demonstrate their value and uniqueness.

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