

Customer Loyalty Management: Finding the Holy Grail of Marketing



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Customer Loyalty Management: Finding the Holy Grail of Marketing

Ten years ago, cards, points, and rewards defined traditional customer loyalty marketing programs. If well structured, these programs almost always returned incremental profit. But as time progressed, rewards programs began to suffer from ubiquity, lack of genuine connectivity between brands and their members, and an inability to keep track of so many different rewards and benefits. Marketers could no longer count on traditional rewards programs to deliver the expected customer retention, perceived customer value, or profit.

A New Definition of Loyalty: Customer Loyalty Management

This brings us to the present, where there's a need to redefine the possibilities of loyalty marketing. Customer loyalty management is the holistic approach to driving higher levels of loyalty through the culmination of all points of interaction with the brand. This includes what customers consider, buy, and come back for, combined with where they share their opinions and how they prefer to engage across both digital and physical environments.

Now, more than ever, relationship marketing is the ability to craft and deliver on the promise of meaningful, relevant, and authentic relationships between brands and their customers. Customer loyalty management strikes a balance of profitable spending behavior (the traditional definition) and emotional commitment between the brand and customer. It has the ability to turn customers into true fans of a brand. True fans think of a brand first when they think of a product or service.

Studies show that the lifetime value of a loyal customer is 10 times the value of one who considers a brand their second choice or lower. This finding has enormous impact and describes what should be every brand's goal. It's not only how much a customer spends, but also the power of their brand advocacy. A lifetime loyal customer is very likely to be an advocate for the brand to their fact-to-face contacts and through the immense social world with which they engage.

The Four Pillars of Customer Loyalty Management

Customer loyalty management requires that marketers expand their commitment, tools, and techniques in four major areas: loyalty programs, wider event streams, marketer-driven relationship management, and test and learn.

Loyalty Programs – Loyalty programs are still one of the most important events in a brand's relationship with its customers. The willingness of a customer to "raise her hand," to give permission and to state her intentions and preferences rapidly accelerates the customer loyalty management journey.

Wider Event Streams – Wider event streams are about capturing a richer flow of relevant, contextual information, competition and social sentiment which gives marketers a much richer set of inputs and tools.

Marketer-driven Relationship Marketing – Marketer-driven relationship marketing extends the traditional view of the right offer to the right person by balancing the focus towards the right people and the offers that best cultivate customer loyalty.

Test and Learn – The most successful marketers thrive in a culture where they can exercise their creativity with lower financial risk and benefit from continuous growth in understanding what ultimately converts customers into fans.

Rational vs. Emotional Customer Loyalty

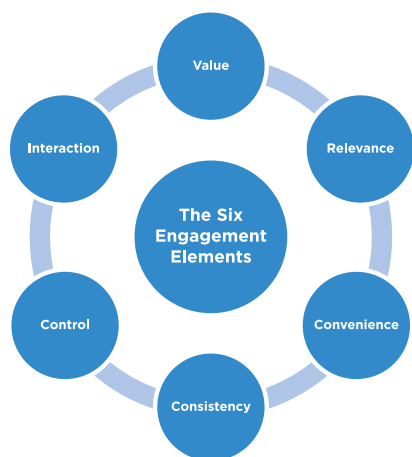
For decades, marketers have understood the rational side of loyalty marketing – moving tangible metrics that define lifetime value, or from the consumer standpoint, responding to an attractive offer or reward.

The emotional side of customer loyalty, by contrast, comprises the DNA of a truly committed fan of the brand. Based on [TIBCO Loyalty Lab's](#) extensive research with consumers, audits of best-in-class programs, and ultimately our hands-on experience with customer loyalty management in market, emotional loyalty is a function of a brand's ability to:

- 1 Deliver higher levels of perceived **value** to consumers. This can vary from getting more for less, recognizing loyalty with status, receiving badges of acknowledgement, delivering surprise and delights, or simply adding to consumer satisfaction.
- 2 Give consumers greater levels of **control** in their relationship with brands. Increasingly consumers expect to shape their relationships with brands, whether through the products they are marketed, the channels and frequency of interaction, and/or the degree of privacy and intimacy they share.
- 3 Deliver higher degrees of **relevancy** in both marketing and overall experience. When we gain permission and private information, there is an exchange of expectation that the dialog, the interaction, and the experience will be tailored based on what has been provided and inferred.
- 4 Enhance the **trust** of the relationship. The simplest element of great fan management is the steady and methodical build-up of trust in the relationship.
- 5 Increase the **efficiency** of engagement. Keep the time down and the path clear, remove hurdles of interaction, and keep it simple and well-oiled.
- 6 Strive for **consistency** across all channels. We live in a multi-channel world where consumers expect to have the same outcomes (if not experiences), regardless of where they choose to interact.

These are the engagement elements that result in effective emotional customer loyalty.

Every consumer makes decisions based on rational and emotional factors. Customer loyalty management aligns marketers to the way the human brain processes information and provides an efficient psychological router that feels rational to both the marketer and consumer.



Loyalty Programs: Combining the Old with the New

Traditional loyalty marketing still has a very important role in focusing the organization and every member of the extended team. It also serves to capture the permission to increase the intimacy of interactions. The simple hook it sets at initial buy-in helps set up structured incentives to maintain engagement, which would otherwise be a challenge. Traditional loyalty marketing increases data capture and connectivity to “private” event streams and becomes the formal tool for recognition and reward. For some brands, traditional loyalty marketing can provide the primary point of contact.

There’s no sign that loyalty programs are moving from the forefront of consumer’s minds, either. The [2013 Maritz Loyalty Report](#) suggests, “71 percent of (loyalty program) members would join more loyalty programs, even though the average member is already enrolled in 7.4 programs.” Strengthening the value of loyalty programs even more, 70% of members surveyed in the Maritz Study felt that loyalty programs are part of their relationship with a company and make them more likely to business with them.

Ultimately, great customer loyalty management encompasses where a brand exists in both cyber and physical space. For example, the Oakley goggles brand exists in physical places, where speed and distance are measured – in the number of steps to kiosks, in hosted events, and digitally on websites, email, text, apps, Pinterest, Facebook and Twitter. Brands exist on Yelp! and other crowd-sourced review sites and in casual mentions around the world. These points of personal and digital engagement give customers choices on where to interact and how to improve their experience. Customer loyalty management engages a customer and makes them a more loyal and trusting advocate for the brand. It makes them a fan.

Wider Event Streams: Blending Art and Science

Customer loyalty management requires an ability to capture a wider set of impactful events, recognize common patterns and react with the best response.

Sometimes called big data (but not always big), this is where marketing drives innovation and competitive differentiation, but only if CIOs can collaborate and enable their teams and partners rather than act as gatekeepers of standards.

Gartner's Kimberly Collins projects in *Consider Automating These Top 12 Marketing Processes in 2013*, "By 2016, marketing organizations that leverage big data for microsegmentation and targeting will achieve response rates of 70% or higher." Collins also says, "Through 2015, marketing organizations that execute inbound or event-triggered techniques will see response rates that are five times higher than for outbound campaigns."

Events are the things that happen both in the moment and historically that impact the decisions made today and into the future. Events involve the ambient conditions around a customer, like location or weather, and also include the circumstances and happenings in the brand's physical and online locations, including staff, inventory and distribution network.

These events are found across a wide variety of touch points, including:

- Controlled digital touch points like websites, email, apps, messages, signage and kiosks
- Influenced digital touch points like social platforms, hosted campaigns and partnerships
- (Perceived) non-digital touch points, because even when we engage face-to-face, our experiences are heavily influenced by digital channels and capabilities (for example, Clientelling, next-gen point-of-sale systems and tablet applications)
- Social ecosystem, and the way we connect to the world through our "network of networks"
- Supply chain with its many points of demand-chain integration
- External factors of influence including competition, weather, traffic, current events, and holidays

Customer loyalty management integrates the traditional view of the customer, which previously had been contained in databases at rest, with this rapidly expanding dream of data in motion. Top marketers using TIBCO technologies are finally able to harness the scale, speed, and technology of these data streams to deliver experiences to loyalty customers at the right time – the precise time at which they are considering, purchasing, or sharing.

As Aberdeen notes in *Customer Loyalty 2012: Enabling Technologies for Customer Engagement, Conversion and Retention*, "The whole is greater than the sum of its parts," when it comes to customer loyalty. They go on to say, "These components must work together as a whole. Many companies keep these technology elements separate and must engage in intensive integration of technology and disparate data streams." Aberdeen recommends instead that companies centralize these components into one loyalty platform and by doing so, eliminate several layers of integration while maintaining consistency across channels.

Marketer-Driven Relationship Management

The most customer-driven aspect of customer loyalty management is the relationship management pillar. It's about people making life decisions – getting married, starting a family, confronting a new set of choices.

Marketers determine which customers are going to be valuable based on patterns they have seen before. They need to be incredibly creative about how to engage and address these customers, with the goals of increasing trust, value, and convenience for them. Customer loyalty management helps marketers understand the dynamics of a household – where mom pays and kids play. Which products brought her into the store? Which would she most benefit from next?

Marketer-driven relationship management requires what author Mari Smith lays out in her book, [The New Relationship Marketing](#), as a blend of the offline world with the online, adding the ability to continually balance the supply of offers with the most aligned customer demand possible as the best path to customer retention.

This balances strong marketer intuition and curiosity with powerful visual analytic tools and the ability to identify propensities, patterns, and correlations from past behaviors. Ideally the behaviors will marry transactional records with other event data such as social engagement and web behavior. Great artistic marketers natively understand customer life cycles and ideal purchase patterns and are willing to seek alternative paths on a segment-by-segment basis. Great scientific marketers are able to apply methodologies that rigorously test alternative engagement strategies to definitively quantify the cost and impact of those actions.

Test and Learn: Empowering Creativity

Creativity is the marketer's new currency. What worked in the past is not sufficient in the world of the short attention span consumer. Why is that happening? Channels are evolving rapidly. There is too much saturation, and the only way to stand out is by being creative. Customer loyalty management is like walking a tightrope, and test and learn is the marketer's net.

The *science* of test and learn is the analytically-driven method for determining changes in performance with small but statistically-relevant sample sizes. It also involves predictive analytics, which helps to measure cost relative to budget and confidently predict impact.

The *art* of test and learn is the freedom to test multiple ideas and be able to change on a dime. The culture of test and learn permeates an organization and is championed from the top.

Fostering Commitment with Customer Loyalty Management

It makes sense that the more a loyal customer buys, the more likely he or she is to advocate for a brand. But loyalty and repetition take the relationship further than the cash register. These customers become deeply involved and committed to the brand's success. They become actual fans, and this is the holy grail of marketing.

Consider how coffee devotees habitually visit Starbucks, use their Starbucks app, even buy Starbucks mugs – gladly giving the coffee giant their money, their social voice, and their fandom.

Fan-level loyalty creates mutual trust. The fan becomes forgiving. The fan has a shared commitment to value and success that produces higher levels of perceived benefit relative to the perceived cost. All of the fostering aspects of a committed relationship come together. For a fan, and for the brand, customer loyalty takes on a higher level engagement, profitability, and success.

For more information, head to www.loyaltylab.com, email loyaltylab@tibco.com, or call us at +1.415.633.1400.

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