

BRAND VALUE

Cracking The Loyalty Code

The market place is exploding with choice. With the Indian customer becoming more adventurous in his brand relationships, marketing managers are feeling the pinch.

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Earning the loyalty of your customers for life

The Indian customer has never had it so good. There is an explosion in the variety of goods and services which is unprecedented in the history of the Indian market place. Attracted by the prospect of a booming middle class which is bursting at the seams at 300 million plus, a host of Indian and international brands are pulling out all the stops to cater to this new, emerging royalty of the market. From convenience goods to the high end luxury goods the retail shelves are filled to the brim with a variety of brands. From the neighborhood kirana shop to the destination malls the story is the same --- the consumer is spoilt for choice. And therein hangs the Damocles' sword for the Marketing Manager: How do you attract the well heeled Indian consumer to your particular shop or product? And having wooed him successfully once, how do you keep him coming back for more?

Customer is King (and he knows it)

The Indian customer, having discovered the power of his wallet, is in no mood to continue with the established norms of his earlier generations. There is an increasing tendency to explore, experiment and if necessary, drop long time favorite brands in favour of the alluringly new. The fact that there are ever so many options opening up every day is adding to this increasing promiscuity in brand relationships and this in turn is making for many a sleepless night for the brand managers. The fragmentation of the mass media with a consequent lowering of effective reach is making advertising a costly proposition to communicate with the customers. The focus in the marketing war rooms is therefore shifting from 'Market share to share-of-the-wallet' as Peppers and Rogers point out in their brilliant book 'The One-to-one Future'. Marketing managers around the country are slowly (perhaps reluctantly) waking up to the reality that they need to address 'The Market of One' where they have to identify and build relationships with the customers one-to-one.

The loyalty Babel (with very few interpreters!)

There is a surfeit of strategies out there in the market place now - all claiming to build instant loyalty among customer. But loyalty, like real pleasure, does not come in an instant! There are CRM technologies that help you map every interaction with the customer via multiple channels, provide a single view of the customer across multiple departments and even schedule a set of 'predefined' interactions; there are reward point programs to 'lock-in' the customers with the promise of more and more rewards; there are recognition and relationship initiatives which seek to build an 'emotional connect' with the customer; there are experiential marketing solutions that seek to immerse the customer in the brand experience and thereby build lasting loyalty over time. Faced with such a bewildering array of weapons, the brand manager is tempted to take the strategy known to all for ages: Play safe. And the trouble is there really is no safety. Either you take the risk and stand a chance to win or you lose all. So how do you build loyalty in a market that is offering an ever widening choice and in the mind of a customer who is becoming increasingly demanding and is ever so fickle? Are there any fail safe methods to build customer loyalty? At least a set of guidelines which will help you ensure that you take the plunge with some degree of conviction?

Market has changed: marketing has not

Fortunately the principles behind building bonds with the customer have not really changed. The way to the customer's mind (and therefore his wallet) and the dynamics of maintaining the novelty in a relationship have definitely changed and changed rather irrevocably. However, the basic tenets of identifying a customer and making him feel special have remained the same thus providing some continuity to the 'old school of marketing'. What are these basic rules or guidelines which could provide some comfort to the brand manager on this perilous journey to the land of loyalty?

Rule No 1: Know thy customer!

Surprising as it is the road to customer loyalty begins with the most fundamental axiom of marketing down the ages. The village cobbler in the pre-industrialization era could have told you that: Know your customer personally, understand his unique requirements and you will be able to fulfill his demand. Sounds simple? It is. What with the power of information technology, today it is possible for you to know intimate details of your customers (and millions of them): their shopping behaviour, their preferences, the purchase cycle, and their amenability to promotions-you name it and you have got it. And today the more enlightened companies are making use of this new found power with remarkable impact on the bottom line. Safeway, Amex, Hertz... the list of companies benefiting from an intimate knowledge of the customer is growing every day. Getting to know your customer is the first step in ensuring a healthy relationship with him.

Rule No 2: Divide and Lure (with apologies to the British Empire!)

Accept the fact that all customers are not equal. They differ in terms of motivation to consume your brand, the level of consumption, the future potential, and the level of emotional connectedness with your brand. From a business perspective, it does not make sense to build relationships with the entire universe of customers. It therefore makes sense to identify your current best customers and those with the potential to become so and build long term relationships with them. And having identified your best customers, identify their unique likes and dislikes and develop your marketing communication for the 'market-of-one' to ensure that you vibe with that single customer every time.

Rule No 2.1: Pamper the best

As a natural corollary of the previous rule, you get the best returns when you push the envelope (pun intended) for your best customers. Identify their needs and wants, probe for their likes and dislikes, shower them with rewards, and pile up the privileges... do everything in your power to ensure that this group of customers knows that it is blue blooded. Make them feel that difference in every transaction through every channel and on every transaction. And sit back and watch those customers do the marketing for you

Rule No 2.2: Honor the rest

While you are rolling out the red carpet for the best, do not forget to relate to the Low Value Customer or LVC as he is popularly known. Sounds like a contradiction? Definitely not. It is possible to treat even the medium and low value customers feel like kings. By simply making sure that your interactions with them are pleasant and caring while not costing your executives and channel reps too much of time and effort. Just a 'Thank you for choosing us' note once in six months can work wonders for a brand. And the low value customer knows that he is not your best. He is mature enough to understand that there will always be a 'first class' customer who will get preferential treatment. He just wants to ensure that he is not treated shabbily. Ensure that and you will be ready harvest the gold at the bottom of the pyramid.

Rule No 3: Rewards (by themselves) do not build loyalty!

One of the frequent mistakes which brand managers make is to equate a simple rewards program with loyalty. And since it is being perceived as a 'simple rewards' program there is often a tendency to put together a program quickly either internally or with the help of a rewards merchant. Rewards do not automatically mean increased loyalty. It takes much more commitment and perseverance to build loyalty. And incidentally, those rewards program are neither simple nor easy to implement, which is why it is better to entrust the task of developing them to an expert. Every element of the program, from points earning windows to the rewards catalogues plays a significant role in enhancing the customer experience. And loyalty is the result of a trinity of rewards, recognition benefits and relationship benefits which has to be carefully orchestrated for each segment depending on its needs. Not to forget the fact that every one of these elements has to be aligned with the overall brand positioning!

Rule No 4: Show that you care

Another old familiar pillar of marketing from the days of yore, this one never fails to deliver the results. More than anything else, it is the care and concern that you show for your customer which will build everlasting loyalty. By itself, this simple rule is powerful enough to induce a sense of loyalty in the minds of the customers. Coupled with your initiatives in understanding, identifying and relating to him at a personal level, this one will really push the customer up the loyalty curve at an accelerated pace. If you want customer loyalty, build your relationship strategy with this rule as the core. As we said earlier, the fundamental tenets of marketing have not changed. It is the methods that have changed.

Rule No 5: Design your products to make your customer's life better

Sounds like a tall order? Understand that you are not selling a product. You are offering a solution to address an everyday problem that your customer is facing. And in understanding that problem and how your product is helping to solve that problem lies the route to customer loyalty, nay, customer intimacy. A brilliant example of this approach is provided by Fred Wiersema in his book: "Customer Intimacy" which is worth quoting here.

Black and Decker, a household name in power tools was facing the onslaught of the competitors who were chipping away at the market share. In order to gain market share and woo its customers back, B&D decided on a unique marketing plan. It sent out its marketing executives to watch its customers as they used the power tools at their homes. And after watching their customers' product experience and their pain points, B&D decided to address the critical issues. Thus was born a new line of power tools branded Quantum which became a rage with the customers. Lesson: See how you can improve the customer's life better and the customer will reward you with his loyalty.

Rule No 6: Don't look now; the customer is changing

Respect your customer's privacy. While you may have the best offer for him and may even be convinced that it would change his life forever, give him the freedom of deciding on that. Even the best of relationship initiatives can go awry, if you contact the customer at the wrong time or with the wrong offer. We all know of the endless telephone calls for 'free credit cards' and 'loans' right? Never, ever let the customer feel that data about him will be used to market to him against his will. The moment a customer feels that his confidence has been breached he will close the doors on your brand forever without as much as a goodbye. Which is why companies like HP are spending millions of dollars in ensuring the security of customer data.

Rule No 7: Put the customer in charge

Let the customer decide when and where he wants to be contacted. Let him decide if he wants rewards or not; let him decide whether he wants to be recognized or left alone. Shopper's stop became a big hit with customers not just because its offerings were better but because it came with a different philosophy of selling: Its sales executives never pestered you into buying things; in fact they don't even accost you on the aisles unless you ask for help. Now that is a classic example of letting the customer decide how he wants to interact. When you let the customer decide on the modes and frequency of interaction, you have his 'volitional participation'; you are no longer a commercial interruption zapped by a remote or dismissed with a busy tone on the mobile!

The Loyalty Code: Back to the Future?

As you have observed, there is no revelation in the preceding paragraphs. Just simple, time tested truths. But these very same simple truths are what the enlightened marketers are using across the globe to build lasting relationships with their customers- even in some of the most competitive markets. The future definitely revolves around the 'market of one'; but the route to success in that place goes a long way back--back to the village cobbler in the pre-industrial era.

The rules mentioned here are not an incantation which will cast the spell of loyalty on your customers. Rather they help you solve the jig-saw puzzle that is customer loyalty, one piece at a time so that you can build one-to-one relationships with your customers.

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