

DOES LOYALTY REALLY EXIST?



LOYALTY: A FEELING OR ATTITUDE OF DEVOTED ATTACHMENT AND AFFECTION.
- THE AMERICAN HERITAGE DICTIONARY

Many people associate the quality of loyalty with their families, close friends, even their dogs. But loyalty plays a part in most of our daily activities.

The brand of toothpaste most of us use each morning probably is one we've used for years, as maybe our coffee, bread, soap and cleaning solutions.

We generally order from the same pizza delivery service, visit a dry cleaner whose face we know and whose reputation we trust. Women search exhaustively for the right hair stylist and once they've found him or her, they stick with that person, even rave about him or her to friends. Many of us drive the same make of car throughout our lives.

Why? It's the way it makes us feel. The dry cleaner might

be on the way to work, but he also engenders a sense of security. As a customer, you hand off your clothing knowing it will come back just as you ask. He also may call you by name, and ask about the weather — small social gestures that make you feel recognized, comfortable and worthwhile.

The type of car you drive could be the same one you've driven since you were a teenager. In this case, it could be the sense of security it gives you. You've never had a breakdown in a Toyota, for instance, and you've escaped a fender-bender with minimal damage or a more serious accident with no injuries. The brand name engenders a sense of trust.

Simpler factors play into your purchasing decisions as well.

The contact solution you use may be the cheapest one you've found that does the job well. So why bother buying something more expensive? You feel financially savvy and good about our choice.

But if you're not the neighborhood dentist, the only bank in town or the lowest-cost provider of a service or item, how do you get customers to flock to your door and make your products part of their everyday lives?

You inspire loyalty, creating within them a reaction to your name that is so positive it evolves into a strongly rooted sense of connection.

In tough economic times, when consumers have more ways and places to shop, gaining loyalty is a tough proposition.

According to a new study by Adjoined Consulting and SAS Marketing Automation,

77% of shoppers in 2006 defined themselves as loyal customers, a drop from last year when **84 percent** said they met the definition.

The loyal customer values something beyond the price tag. Truly loyal consumers will buy from a retailer repeatedly, even if they can find the same product elsewhere at a better price.

Most retailers, however, still believe cost is key.

“Even though 70 percent of customers say poor service sent them elsewhere, businesses believe price is the main cause for such losses,” writes Bob Thompson, CEO of Customer Think Corporation.

In fact, discount prices can backfire because low-price shoppers often do not become loyal, profitable customers.

“Continued use of discount-oriented offers tends to attract only price-motivated shoppers, and when a lower price shows up elsewhere, these customers will leave you,” writes Matt Griffin, associate editor of *Catalog Success*. “When you overuse discounts, you actually encourage disloyalty because the customers will come back only when you offer the best price.”

Executing a successful loyalty program requires focusing your discounts, and your resources, on customers you can actually impact. These typically aren't price-oriented shoppers. By zeroing in on those people, you will boost your bottom line instead of eroding your margin with excess discounts.

“Loyalty is built on both the rational and the emotional,” said Sallie Burnett, CEO of Customer Insight Group. “The customer's rational side is drawn to good prices and the quality of the product. The emotional, on the other hand, is more about that sense of personal recognition, of being treated differently than anyone else. When the two sides meld together in the customer's mind, you've secured their loyalty.”

“EXECUTING A SUCCESSFUL LOYALTY PROGRAM REQUIRES FOCUSING YOUR DISCOUNTS, AND YOUR RESOURCES, ON CUSTOMERS YOU CAN ACTUALLY IMPACT.”

To keep customers happy, treat them well: Communicate. Win them over and win them back. Treat them as individuals, by knowing their tastes, behaviors, even their birthdays.

Give them appreciation that non-loyalty-program members don't receive to make them feel valued: access to new programs, private auctions or invitations to members-only sales, trunk shows, new prod-

uct testing, participation in an elite President's Council that provides feedback and insight. These small things cost companies little but pay big dividends by deepening customer loyalty.

Here are some companies that make it work and the methods they've chosen:

Meijer Stores

Meijer, a Midwestern super-center retailer, proves a unique method — voicemail marketing — can bring tremendous results. It is not telemarketing, said senior vice president of marketing Jeff Handler. It's a personal phone calls from the store to the customer, reminding them of events or sales they may miss if they haven't read the newspaper advertise-

ments. Negative responses, in the form of people who did not want the calls, were minimal, Handler said. Best of all, the personal calls created a strong bond between its customers and the store.

The company's return on its investment was an impressive 200 percent.

While cell phone customers were not included in these calls, Meijer's is now testing

a program in which customers sign up to receive text-message alerts about a subject on everyone's minds: gas prices.

"If you signed up for this program, you would get a gas alert that says, 'Gas prices will increase before 1 p.m.,'" Handler said. The alert gives customers time to fill up before the higher price takes effect.

"It's a service we're offering. You decide if you wish to play or not," Handler said. "It's a combination of the right application with the right messaging device."

Things Remembered

Things Remembered's niche market could have been considered both a blessing and a curse. Brides and bridesmaids frequently purchase its personalized, classic gifts. The challenge was that these customers breezed in, spent heavily and didn't return after the weddings

By getting to know the bridal customer, the company changed the dynamic of the customer relationship and turned the tide on the one-time pattern. Things Remembered

personalized its marketing based on the type of gifts and date of purchase. By referring to individuals past purchases — making the customer feel noticed and worthy of the company's attention — the company then introduced one-time purchasers to its wide array of gift items.

Target

Target's REDcard program rewards shoppers with some discounts, but because it's already considered a low-cost store, Target has taken the unique approach of engendering loyalty through community involvement with its Take Charge of Education program.

Through the program, shoppers can choose the school they want their money to benefit. Target, in turn, donates 1 percent of that customer's in-store and online purchases to the school.

This creates a multi-level connection among the store, the customer and the community. By shopping at Target, these customers feel they truly are making a difference.

Its Pharmacy Rewards Program offers regular customers 10 percent off a day's shopping after every tenth prescription Target fills for them. Seniors are the primary benefactors here.

With programs like these, Target moves far beyond the product-based drivers on which similar discount stores focus, making multi-generational connections.

All of this good will gets plenty of press, furthering the store's reputation as a community member, not just a major corporation seeking to fatten its bottom line.

Getting to the level of customer intimacy required for a successful loyalty program means digging deep through reams of data to create messages that are relevant to your best customers.

But the rewards are great. Just as we choose the same household items based on familiarity and our positive experiences with them, truly loyal customers will time and again choose you and your products without a second thought.



CUSTOMER
INSIGHT GROUP, INC.

6711 Secrest Circle
Arvada, CO 80007
ph: 303.422.9758
www.customerinsightgroup.com
info@customerinsightgroup.com

CUSTOMER INSIGHT GROUP:

Customer Insight Group is a strategic marketing company that uses customer information to help its clients build successful and profitable long-term relationships with each and every customer.

It provides marketing strategy, customer research, data analysis, program development, implementation and refinement of customer-centric programs including: loyalty, retention, win-back, and new customer acquisition.