

# LOYALTY QUEST

## UNDERSTANDING WHAT CUSTOMERS WANT.

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### The consumer's purchasing options today are dizzying.

In most retail areas, shoppers can find the same product at several stores. And if they don't want to leave the comfort of their home there are catalogs, TV shopping channels and the Internet.

But what makes many of them repeatedly choose one business over the others? **Loyalty.**

These buyers' decisions are guided by far more than just familiarity or proximity. Consumer expectations are high. In fact, it is not uncommon for a business to achieve high customer satisfaction ratings, but still experience customer retention problems. Customer loyalty cannot be assumed.

Today, it's how the purchasing experience makes the customer feel — that they're not just faceless consumers, but highly valued individuals.

Just as a friend feels delighted when you buy her a gift she's long desired, so does a shopper feel an affinity to a store that understands her and caters to them.

That understanding is called customer-centric marketing. A 180-degree turn from volume-based communication strategies to focus on leveraging customer insights to target and acquire more profitable customers, keep them coming back and even increase the amount of money they spend with your company. To earn that kind of customer devotion, a business must learn to anticipate and exceed its customers' expectations.

Customers, not retailers, are in today's driving seat. They want to be courted, and will pay you handsomely for it. Well-executed loyalty programs have boosted retailers' bottom lines by 25 to 95 percent, according to Jupiter Research.

### Case Studies

#### **Nine West Group, Inc.**

Nine West Group gets down to their customers' soles, using e-mail as a primary method for reaching them.

To market to its Easy Spirit brand customers, it tailors its message to such specific details as a customer's shoe size and shoe width — one of the features that draw hard-to-fit and quality-conscious customers to buy Easy Spirit in the first place. The company finds this

information through customer's transaction history as well as online profiles.

For instance, when the customer receives e-mail about a new line of sandals, she is directed to a landing page that displays the sandals that come in her size and width. Additionally, every e-mail includes a link to a page where the customer can edit her profile.

It relies on a similar e-mail campaign for its Nine West brand. The company's carefully analyzed messages show their customers open, read and act on the company's e-mail and mail messages at rates as much as four times higher than the industry average, said Nine West multi-channel marketing vice president Dianne Binford.

### **Petco**

Petco knows not just its customers, but also their pets, a necessity in a business in which the shopper's focus is not on himself, but his loyal companion.

It considers the special needs of customers who have youthful and aging pets, and advertises products and services to suit those pets' life stages.

During one of its successful efforts, it tracked customers who purchased small animals such as fish, snakes, birds and reptiles, and sent them postcards related to the specific pet they purchased. The response

rate to this mailing was an astounding 15 percent.

### **Getting there takes work.**

First, and most critically, the business must get to know its customers by gathering and analyzing data about them. That includes who they are and how often, what and when they buy.

This information can come not only from a study of behaviors, but also local demographics:

- > *Are you in a high-income area?*
- > *One heavily populated by seniors?*
- > *Families?*
- > *Singles with lots of disposable income?*

Target your marketing toward the demographic that already frequents your store.

In addition, find out what motivates your customers to buy from one retailer over another, and what type of customer you want to attract:

- > *Is it the recognition and status often awarded to bigger spenders, such as the points accumulated by frequent flyers?*
- > *Are you searching for value-minded, time-conscious shoppers who need discounts and/or convenience to lure them to a particular company?*
- > *Or do you want your business to draw customers based on*

*the quality of its products and superior service?*

Your business objective will influence the data requirements and how the data is collected.

The intricacies involved in this kind of data analysis exceed most retailers' abilities. Collecting the right data likely will require a company to hire well-trained analysts, then significantly beefing up its marketing departments to help translate the data into effective programs.

That's where strategic marketing firms can help make the difference between a successful loyalty program and one that fails to achieve the business objectives.

The statistics loyalty marketers know how to find will keep companies from searching in the dark to find successful strategies. Since it's their business, marketers invest heavily to ensure that their databases are always up to speed or ahead of the game. A DirectMag.com survey showed that most marketers spend nearly \$250,000 to upgrade their databases. The reason? More and more companies are investing in customer-centric programs to improve business performance.

Once a retailer creates and implements a program, the need for such data doesn't go away. Best Buy, for instance, is continually researching its customers' satisfaction and

using that information to tweak its program in the areas that research shows it's flagging. In 2004, it revamped its already

in-office changes as well that cut error rates in tracking the use of certificates and lowered postage costs. As a result,

keep existing customers than win new ones. A loyal customer is worth more, shops more often and spends more money than an infrequent or one-time buyer. Additionally, happy customers relay their experiences to friends, a trusted and invaluable referral system.

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successful loyalty program. The changes were not dramatic, but carefully planned to deliver maximum effect.

enrollment in its Reward Zone program more than doubled, and Best Buy cut \$2 million from its postage costs.

Show them you've got what they – as individuals – need so they won't even consider seeking it elsewhere. Make it easy and natural for them to come to you, every time.

It offered buyers more options for cashing in on their rewards and gave its highest spenders exclusive soft benefits. It made

Shifting to a customer-centric marketing is a worthwhile investment. Consider this: It's up to five times cheaper to

Using this approach, customers become not advertising targets, but partners in your successful business.



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**ABOUT THE AUTHOR:**

*Sallie Burnett leads the strategic marketing field with 16 years' experience in strategic marketing, sales management and customer relationship management.*

*As the founder of Customer Insight Group, she helps her clients utilize customer information to develop customer-centric strategies that drive bottom-line success.*

*Renown for her out-of-the-box thinking and wealth of experience, she's helped many of the nation's top companies cultivate actionable opportunities throughout the customer-value relationship to better align sales, service and marketing while generating the greatest return on investment based on the voice and value of the customer.*

**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.*



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