



CUSTOMER EXPERIENCE
NETWORK



The Changing Face of Customer Loyalty in Retail

MARCH 2016 MARKET REPORT



This report includes insights and comments from the following customer experience leaders across the industry:



Claire Hill,
Customer Service
Director,
boohoo



Danny Andrea,
Retail Director,
**Artisan du
Chocolat**



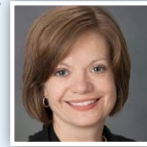
**Helen
Keppel-Compton,**
Director, Retail
Services,
Waitrose



Ingrid Lindberg,
Customer
Experience Officer,
Chief Customer



Marko Hein,
Senior Director,
Digital Solutions,
LEGO Systems



Rhonda Basler,
Director, Customer
Engagement,
Hallmark



Victor Milligan,
Chief Marketing
Officer,
Forrester

Foreword

The retail industry has undergone a significant change in recent years. With the rapid rise in online stores and mobile shopping, the high street has seen a decline in footfall, and the lifetime customer loyalty many brick-and-mortar stores were accustomed to is no longer a given.

Retailers have to work harder and focus more on delivering a wow experience at every touch point to retain customers and keep them loyal to their brand.

This CX Network Market Report looks at some of the most disruptive changes that have impacted retail and highlights key pieces of advice from industry leaders including Hallmark, Waitrose and Forrester.

Download the report to find out how to achieve customer loyalty and deliver lifetime value in an ever-changing landscape.

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The Changing Face of Customer Loyalty in Retail

Is Loyalty Still Relevant?

In the digitally connected age, the potential pool of customers for organisations has grown exponentially. And so many CX leaders could be asking themselves: 'Why should we still focus on loyalty?'. With so many people who could be buying a brand's products or services, shouldn't the focus be on reaching as many people as possible rather than the small pool of loyal customers? Wrong.

Studies have shown that it costs five times more to attract a new customer than to retain an existing one¹. And the probability of selling to a new customer is between 5 and 20 per cent, whereas the probability of selling to an existing customer is between 60 and 70 per cent². Furthermore, loyal customers are worth up to ten times as much as their first purchase³.

In the recent global CX Network survey of over 700 customer experience practitioners⁴, customer loyalty and retention topped the list of investment priorities for 2016 for over a third of respondents, beating other big focuses of the year such as CRM and the online customer experience. Loyalty is clearly still an incredibly important part of the customer journey, but with the retail landscape changing so drastically it can be a challenge to achieve.

In the recent global CX Network survey of over 700 customer experience practitioners, customer loyalty and retention topped the list of investment priorities for 2016 for over a third of respondents.

Some elements driving loyalty are specific to a brand and its customer profile. For instance, Claire Hill, Customer Service Director at boohoo, said: "At boohoo, loyalty is about where the young 16-24 year olds can find fashion inspiration, who provides them with the updates on London Fashion Week and is their fashion best friend. Of course this has to go hand in hand with great service and a great value proposition, but without social media feeding the craving for on-trend products, loyalty would soon disappear."

That isn't to say that there aren't key steps that every organisation should take into consideration when looking at driving customer loyalty. In this chapter we will look at recent industry changes, how they're impacting upon the traditional loyalty model and what retailers can do to turn these challenges into opportunities to help win loyalty and secure customer retention.

The Shift to Online

One of the biggest changes which has impacted the retail industry has been the growth of online. Not just the shift from customers shopping in bricks-and-mortar stores to the online equivalent through mobile devices and a range of platforms, but also the arrival and increase of price and quality comparison websites, which are making it easier than ever for customers to find products and services that align with their needs and budget.

This means that rather than customers staying loyal to the same brands simply because they are familiar with them or they've had a good experience in the past, they have the opportunity to easily find alternatives that suit their needs at any given time. The challenge for retailers is to ensure that their customers are not tempted to search for an alternative from their brand to begin with.

Not only do organisations need to have the competitive edge when it comes to the price and quality ratio and consistently deliver a great experience across all contact channels, but they also need to have a clear focus on how they differentiate from similar organisations in the same field and highlight this competitive advantage all along the customer journey and across each customer contact point.

With the shift to online, the age of convenience has also arrived. Traditional working patterns don't apply to the majority of people anymore – retailers have to adapt to their customers' lifestyles and be accessible whenever it suits the customer best. We've long seen a change in opening hours in physical stores and many have an online equivalent that is 'open' 24/7, which was the next step in this evolution.

But now customers do not only want to be able to shop whenever and wherever they please, they also want to have access to their order at a location convenient for them. Just look at the rise in grocery delivery options and delivery models disrupting the traditional landscape. Who could have thought 15 years ago that the 'norm' in grocery shopping would be allowing customers not only to pick up their order from their local branch but also at designated locations throughout cities and at train stations with the click and collect option. All to adapt to the 21st century mentality, where shopping has to be fitted around the busy work and social lives of the customer.

¹<http://www.forbes.com/sites/alexlawrence/2012/11/01/five-customer-retention-tips-for-entrepreneurs/#7f97323117b0>

²<http://www.forbes.com/sites/patrickhull/2013/12/06/tools-for-entrepreneurs-to-retain-clients/#5eaac17d4b7c>

³http://customerthink.com/a_ton_of_scary_custexp_quotes_and_stats/

⁴<http://www.cxnetwork.com/cx-experience/white-papers/the-evolution-of-customer-experience-in-2015/>



Danny Andrea, Retail Director at Artisan du Chocolat, explained: “We find ourselves in an age where we can do this [shopping] from the convenience of anywhere we like. The age of the smartphone and the ever-increasingly accessible online shopping platforms means that we can hop for everything we need from wherever we happen to be at that moment in time. I find myself a regular of certain online department stores from my mobile whilst engaging in my morning cardio ritual at 5am, what better testament to multi-tasking in the modern era?”

Convenience is colliding with the desire for instant gratification, which according to Marketing Magazine⁵ is one of the key drivers of change within the retail industry and particularly applicable to the booming millennial generation.

From her experience at boohoo, Claire Hill added: “We’re moving to a much more customer-centric model where we have an understanding of the history of the customer and what their segmentation is. We’re looking at profiling our different customers; whether they’re at college, at work or whether they’re a mum. All of that profiling will help us to understand the customer a little more with the view to retain their loyalty because we know them better and tailor more to them; it’s more personalised.”

How to Drive Loyalty in Digital Age

The average customer is a part of over 13 loyalty schemes⁶, it’s not new and customers are always looking to gain value from them. As a result, retailers have to look at different ways in which to drive brand loyalty, including targeted content, channel choice and personalisation across both of these.

A 2015 NewsCred study⁷ found that 62 per cent of millennials feel that online content drives brand loyalty. We recently spoke to the Digital Content and Publishing Director of Barclays, Robert Wint, about the increasing importance of content within marketing and customer experience⁸ and he said that content “glues the various touch points together and links customer throughout their journey”.

“I find myself a regular of certain online department stores from my mobile whilst engaging in my morning cardio ritual at 5am, what better testament to multi-tasking in the modern era?”

Danny Andrea, Retail Director, Artisan du Chocolat

This leads us to look at the different channels that brands offer their customers, and more importantly the choice that derives from this. Today’s customers want to have the ability to choose whether they communicate with you face-to-face in store, pick up the phone or even have a question answered over social media.

“We’re moving to a much more customer-centric model where we have an understanding of the history of the customer and what their segmentation is.”

Claire Hill, Customer Service Director, boohoo

It’s not as easy as looking at your overall customer base and deducting that the majority prefers to contact you over the phone and putting all your resources into that contact channel. You have to give your customers the option between all available touch points and keep in mind that even the same customer will switch between various channels, depending on the time of day or even their mood.

It’s not just about a choice of channels, you also need to have a omni-channel strategy in place that links all of them together, to ensure a seamless and consistent experience when customers move from one touch point to another.

“Loyalty moves towards experience and participation.”

Victor Milligan, Chief Marketing Officer, Forrester

Claire Hill said that the opportunities across the emerging channels such as Snapchat and Instagram are “immense”, particularly for their target audience of 16 to 24-year-olds. However, she also warned that the reach and transparency of the posts can be the worst nightmare for a customer service advisor. Hill explained: “If something goes wrong, it’s broadcasted across the customer base and beyond. The challenge is also being creative in responding to the same query again and again. The last thing a customer wants to see is a canned response to a question, when they are looking for personalisation and a tailored response.”

And that isn’t only the case for the millennial generation. Personalisation is key for audiences of all ages and can not only drive loyalty, but also customer advocacy and an increase in sales⁹.

⁵ <http://www.marketingmagazine.co.uk/article/1331511/millennials-demand-instant-gratification-shaping-future-retail>

⁶ <http://www.cxnetwork.com/cx-loyalty/articles/news-popularity-of-customer-loyalty-programmes-reaches-all-time-high/>

⁷ <http://newscred.com/theacademy/learn/millennial-mind>

⁸ <http://www.cxnetwork.com/cx-digital/videos/the-digital-content-and-publishing-director-at-bar/>

⁹ <http://www.cxnetwork.com/cx-marketing/articles/how-to-drive-increased-customer-engagement-and-sal/>



Personalisation is key for audiences of all ages and can not only drive loyalty, but also customer advocacy and an increase in sales.

Danny Andrea explained how personalisation has made a difference at Artisan du Chocolat. She said: "The days of generic experiences and purchases are gone. The days of swiping the same loyalty card and receiving the same points and the same coupons as every other consumer are also gone. The key to getting ahead in the market seems to be leaning towards making sure you make every customer feel like their loyalty is valued as an individual. At Artisan we not only tailor service in store to the individual customer, ensuring that all brand ambassadors are fully trained on how to read the customer and tailor the experience to that individual, but we have also begun to tailor our online offerings too. These small gestures feel like huge gestures to the individual receiving them because they feel like they are personal to them and because it means something to them. You have managed to make the customer feel like more than one of the thousands who shop with you, online or in store."

Experiences Are the New Loyalty

Personalisation, content and omni-channel are key when looking to drive customer loyalty, but what about traditional rewards such as points and vouchers? With customers looking for instant access to the products they order, they also want to be rewarded straight away rather than in a distant future, as Danny Andrea previously highlighted.

"Loyalty is when a consumer has a strong affinity towards a brand or service. You can attain loyalty with an instant reward, but that goes away. You need to create real loyalty through the brand experience."

Marko Hein, Senior Director, Digital Solutions, LEGO Systems

Victor Milligan, Chief Marketing Officer at Forrester, explained this change in mentality further when he said that consumers rather than focusing on old school loyalty methods such as coupons, want to participate with a brand. "Loyalty moves towards experience and participation," he explained.

Marko Hein, Senior Director, Digital Solutions, LEGO Systems went one step further and said that brand experiences are the key to driving loyalty in today's digital world. He cited examples such as Apple and Lego itself, which have strong values and brand identities. He concluded: "Loyalty is when a consumer has a strong affinity towards a brand or service. You can attain loyalty with an instant reward, but that goes away. You need to create real loyalty through the brand experience."

62 per cent of millennials feel that online content drives brand loyalty.





Case Study: How Artisan du Chocolat Keeps Customers Loyal

In this case study, Danny Andrea, Retail Director at Artisan du Chocolat, talks about the change they have seen in the way customers interact with them and how they've adapted to ensure continued loyalty and retention.

"Over the last year or so we have noticed that customers are now not afraid to say if something is out of the ordinary. By out of the ordinary I don't necessarily mean it is bad, I mean that it is out of brand character. What it has shown is that our customers are far more aware of our brand as an identity than we perhaps realised. Over the last few years we have worked hard at Artisan to unify our customer experience across all of our channels. We have someone who edits all of our printed and online output so that it uses the same tone that we employ in store, we have re-visited all employee training (including a complete refresh of our training manual and documents) and we now have more regular customer service training in place for our in-store sales ambassadors to ensure that they maintain the standard that we have set.

"This has meant that we have a standard and a level of service that is consistent across all platforms, filtering down from the top all the way through to store and online in such a way that our customers are accustomed to it as the norm; as the brand character. Not only is the level of service consistent but the way in which it is delivered through all the channels is consistent. Even going as far as standardising how we respond to complaints and compliments.

"We find that when something is out of brand character,

or service has not been consistent, our customers are not afraid to let us know. All feedback should be, and is, taken on board and relayed to the appropriate area of the business. Regardless of whether it is good or bad, the customer has taken time out of their day to write or phone, which shows that they want to stay loyal. They want something fixed, and they want things to be the way they expect them to be, the way you have set as a standard for your brand as they know it. A customer who complains is one who cares and one we should all listen to. This is a level of loyalty which far extends those who may make a purchase once or twice a year. These are the customers that care enough to take time out of their day to let you know they are loyal to you.

"We have seen that the customer doesn't necessarily want to switch brands. They want the brands they know and love, but they want them to maintain a standard and a level of product and service that they are accustomed to. With the every growing use of digital channels and social media it is also easier for them to do this, which is why having a common voice is so important. We have narrowed down the access to social media to just a small number of the senior team and likewise for those who deal with customer issues. Every contact made with the brand, through whichever channel, gets a response within 24 hours. This is something we have found has kept our customers loyal. We often hear from our customers that they appreciate that their feedback, comments or suggestions have been taken on board. They return and stay loyal because we show our appreciation for them taking the time to contact us."



Top Tips to Achieve Greater Customer Loyalty



Victor Milligan,
Chief Marketing Officer,
Forrester

"We're seeing that it's really important for people to inventory the experiences they are delivering and align them to the way consumers really are – opposed to arguing that the consumer is changing, as in great parts the consumer has already changed – and I think many retailers are behind the change taking place. So orientating yourself towards where the consumer really is, and what their preferences and behaviour are."



Ingrid Lindberg,
Customer Experience Officer,
Chief Customer

"The biggest change in retail loyalty is the conversation about boomers vs. millennials. The boomer generation was content racking up points and miles and coupons, but this new generation is all about giving back – and loyalty can be tied to doing good. If retailers want to continue to drive loyalty, they are going to have to create multi-layer loyalty programmes to appeal to all the different customers they have."



Rhonda Basler,
Director of Customer Engagement,
Hallmark

"Create goodwill – and loyalty – with unexpected gestures. To those of us working in the customer experience field, the phrase 'surprise and delight' might be overused, but rarely overdone. Look for an unexpected extra benefit that is unique, thoughtful and relevant to both your business and your customer. When customers contact Hallmark Business Connections' call centre, they often mention what's going on in their personal lives. Perhaps they just bought a new home. Using that tid-bit of information, the associate will send a Hallmark card with a personalised message of congratulations. Unexpected and always appreciated, that greeting is our chance to show how much we really do care. It's also our chance to show off how good it feels to receive a Hallmark card."



Marko Hein,
Senior Director, Digital
Solutions, LEGO Systems
(previously Nintendo)

"Personalisation is very important. At Nintendo we combined the loyalty programme with personalisation so when customers bought a game in the shop there was a registration code, which after entering awarded points to be used in the shop. To personalise the experience we could track what type of product a customer bought in the past and we combined this information so whenever a customer went to the website, in a logged in state, it would offer them only information relevant to them."



Danny Andrea,
Retail Director,
Artisan du Chocolat

"Make sure you keep one voice. The customer is loyal to you as one brand. They do not understand you have several different departments looking after different areas of the business. They will expect to be treated in the same manner by all divisions, online, or in store as to them you are a brand as a whole. Find your voice and keep it consistent."



Claire Hill,
Customer Service Director,
boohoo

"It's all about engagement with the customer, particularly with our customer base as they like to see that we're ahead of the trends and from competitive perspective they want to feel they have a higher engagement. The more channels we have to engage with them, the more it drives loyalty and retention. We're trying to make sure that we are proactive, because they're customers that can easily be swayed by other brands; they react to what it is in front of them at them time as they have such busy lives. If they will get distracted by competitors because they have better engagement then we will lose out on that loyalty. Loyalty is a very difficult game to play in the retail space with a younger customer."



Helen Keppel-Compton,
Director of Retail Services,
Waitrose (previously John Lewis)

"The big thing for food retailers is: how are we able to reach out to customers in a way that is unique? Customers are becoming incredibly inured to a lot of loyalty programmes. They are not about loyalty, but it's about points and prizes after a very long time and I think the consumer is much savvier now. What five years ago people described as loyalty was actually just a reward. What does it mean to be a loyal customer and what can organisations do to reward that loyalty in a way that is much more personal and connected? That is difficult to do, but the key thing is stepping away from what has become boring for customers."



About CX Network

CX Network is an online resource for customer experience professionals providing value-rich content such as industry reports, customer trends, best practice, latest industry news, interviews with CX leaders and so much more! Our focus on the content that matters to customer experience leaders most, allows us to cut through the white noise that surrounds this ever-changing subject, and makes us the primary resource for CX executives to turn to.

By joining our network you will receive expert commentary, reports, and resources developed by and for experienced customer experience professionals and industry insiders. With a growing membership and global portfolio of events, CX Network ensures you keep your finger on the pulse by delivering practical and strategic advice to help you achieve your business goals.



2016 Market Report Calendar

Click on the January and February titles to view these reports

January

Telecoms Focus: How to Reduce Churn and Increase Customer Retention

February

Optimising Customer Complaints Management in Financial Services

March

The Changing Face of Customer Loyalty in Retail

April

How to Tackle the CX Industry's Biggest Challenges

May

Digital Marketing Trends

June

Top 10 Tips and Tricks for Optimising Outsourcing Tools

July

How to Capitalise on the Digital Disruption Impacting CX

August

What is the Role of the Chief Digital Office in a Saturated C-Suite?

September

Key Steps for CX Leaders to Gaining Senior Management Buy-In

October

Secrets to Delivering a Differentiating CX

November

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December

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