



LOYALTYTM

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MANAGEMENT

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FEATURES

What Brands Need Today to Grow Loyalty

by Ken Fonyo, YOU Technology

FOR CONSUMER PRODUCTS COMPANIES these days, holding on to consumer loyalty often feels like a losing proposition. Gone are the days of network TV media buys that could position your product with the entire nation. Consumers now have new ways of learning about your product—and of shaping brand perceptions—by posting reviews, blogging, and using social media. Add to this the widespread economic strain experienced by families, and it's no wonder that retailer private label goods have flourished at the expense of national brands.

But all is not lost for brand marketers. While traditional media has lost some of its effectiveness, new digital technologies have emerged that allow CPG companies to build relationships with their consumers directly and in collaboration with key retailers, at a cost and with a reach that was impossible even a few years ago. And the same economics that drive retail loyalty apply to CPGs—you can get far more bang for your marketing buck by getting people who already buy your brand to buy more than you can by acquiring new customers. Here is a roadmap for those CPG companies looking to grow loyalty and share of wallet.

Understand The Moving Parts

There are three key factors for creating long-term consumer loyalty:

1. Delivering the right rewards or

- incentives for loyal behavior
2. Generating deep insights into consumer behavior
3. Leveraging those insights to personalize the consumer experience

There is no one "right" way to build consumer loyalty. Some CPG companies, for example, have created company-wide loyalty programs, such as My Coke Rewards. Other companies have taken a narrower approach by creating one or more programs targeting specific brands or consumer segments, such as P&G's Gifts to Grow baby rewards program. Other companies have avoided creating formal loyalty programs altogether and have instead invested in shorter-term promotions (such as Tropicana's Juicy Rewards program) and/or ongoing relationship marketing programs that combine relevant content and offers (such as Huggies' recent "Enjoy the Ride" CRM effort).

The best strategy will depend on a range of internal and external factors. Key considerations include:

- Target consumers and brands. Who are your best consumers and how well do existing programs work in engaging with them?
- Loyalty mechanism. What type of mechanism—points/rewards, cause marketing, social currency, discount-based, etc.—appeals most to target consumers?

- **Consumer value.** What mix of tangible and intangible benefits does the program offer consumers (such as extra savings and exclusive content)? What is the optimal level of investment in the program based on expected returns?
- **Partnerships.** Which external partners should be included in the program(s) to broaden reach and depth, and how should they be integrated?
- **Execution.** What marketing, customer service, sales, product development, and so on are required—both at launch and on an ongoing basis?

No matter what choices you make, however, it's imperative that all your loyalty initiatives are tied together under a single strategy, and that all behavior data is maintained in a single data store. Importantly, your loyalty initiative should support both national and retailer-specific objectives to:

- Capture a higher share of requirements at the individual brand level;
- Draw new loyal consumers into the fold through cross-brand promotions; and
- Better collaborate with key retailers to close the loop at the "moment of decision" on the retail floor.

Making The Most Of Your Direct-To-Consumer Loyalty Programs

Going back to the three pillars of a successful loyalty program, let's discuss some of the best practices for each phase for building direct relationships with consumers.

Delivering the right rewards

Start by focusing on your most valuable consumers. Who are they, and why are they loyal to your brand? They are the most important assets in your loyalty program. Continuously innovate, keeping your programs fresh, relevant, and enticing to these key consumers. Once you have established a beachhead among your most valuable consumers, use coupons, promotions, and other incentives to drive trial and incremental sales.

Generating deep consumer insights

The foundation here is an integrated opt-in database that captures a range of relevant information about your consumers, including survey data,

demographics, coupon usage, retailer preferences, purchase data, context/location data, social media usage, and so on. This data is your raw material; by studying patterns in the descriptive data, you can develop richer insights, create new segmentations and use predictive modeling to fuel more personalized offers and content.

Personalizing the consumer experience

Few things are as powerful to a consumer as having a company thank them for their business and provide additional value tailored to their likes and preferences. Research consistently finds that regardless of age or geography, consumers say that personalized discounts on products they already buy is the key factor in deciding where to shop and what brands to buy. These findings are consistent with our own

Digital technologies provide a new and powerful way to drive sales and build long-term loyalty.

experience: redemption rates and sales lift increase exponentially when offers are personalized using consumer and basket data. Having them opt in to receive email or mobile messaging (either SMS text or smartphone apps work well) adds significant value on top of your web marketing. Both Facebook and Twitter offer very useful media that CPGs can leverage to create a fluid relationship with brand loyalists.

Making The Most Of Retailer Relationships

Brand marketers must also collaborate with key retail accounts to reach consumers before, during, and after the shopping trip, either by tailoring national loyalty and CRM programs or by creating unique retailer-specific programs.

Delivering the right rewards

In addition to the in-store events that have been the staple of shopper marketing for years, leading CPGs are participating in, and often helping to create, retailer digital merchandising events. These events, which enhance and extend the in-store sales plan, usu-

ally include instant-win or other games, digital coupons, and relevant content (such as social media tie-ins using recipe guides) that can be vital in reaching the consumer at the moment of truth. Innovative CPGs are also creating new digital shopper marketing platforms that can be customized to specific retail accounts, such as General Mills' Romo Box Tops for Education program.

Generating deep consumer insights

Retailers are increasingly providing CPG companies with access to segmented point of sale and other data. Savvy players are using this data to better collaborate with retailers and create more effective promotional programs—both in-store and digitally—to reward loyal shoppers, increase purchases by light users, and engage non-category buyers. Moreover, CPGs use their own data to drive retail sales by, among other things, identifying lost sales opportunities or developing new category strategies. CPGs can also leverage their CRM data to magnify the success of the retailer promotion, often by a factor of two to three times, by marketing to their own consumers in support of the shopper promotion.

Personalizing the consumer experience

Retail offers the perfect opportunity to reach the consumer at the point of decision, and retailers are expanding their reach with communications that reach customers at home, in-store, and on-the-go. Digital coupons, which download to shopper loyalty cards, are already growing in use. Already they are widely established via web and email channels, with leading retailers now adopting mobile communications to reach the consumer anywhere and any time. Soon, smart-phone apps will let retailers recognize when a shopper is in-store, and provide relevant offers to them in real-time.

It's Not The End Of Brand Loyalty—It's A New Beginning

Brand loyalty isn't dead, by any means. But mass advertising alone is no longer sufficient to build brands. Digital technologies provide a new and powerful way to drive sales and build long-term loyalty both directly with consumers and in collaboration with key retail accounts. The winning brands of tomorrow will be the ones that, instead of playing catch-up, invest now to capitalize on these emerging trends. 📌