Driving customer loyalty

Maximize loyalty program data collection to drive insight and revenue

Experian
Data Quality

CONTENTS

Introduction

The old saying 'the customer is always right' couldn't be more true today. Customers are more empowered than ever before and driving major change within businesses. In the era of the consumer review, an increasing number of digital channels and a 24/7 shopping cycle, organizations have less control over consumer shopping behavior than ever before.

However, organizations can still influence the customer experience and ensure consumers come back for additional purchases. Since the cost to acquire new customers is so high, many businesses are looking to increase the lifetime value of each customer to drive additional revenue.

To incentivize customer to keep coming back, more companies are implementing loyalty or engagement programs. In fact, according to a recent Experian Data Quality study, 91 percent of organizations have such programs.

The good news is that many companies are seeing a return on this investment. In fact, three quarters of companies say they see a positive ROI from loyalty programs. However, most companies face challenges in this area of their operation.

Organizations often struggle to get enough customers to sign up or have a hard time collecting accurate contact data. Collecting accurate customer data is such a problem that the top strategic priority of loyalty programs this fiscal year is improve data collection.

But there are many steps companies can take to overcome these challenges. This resource looks to review the growing presence of loyalty programs and how they are operating in businesses, then looks at the top challenges associated with loyalty programs and how to go about resolving them.

Key findings

Prevalence of loyalty

The majority of companies today have a loyalty program. In fact, 91 percent of respondents state they have a loyalty or customer engagement program in place today.

The main purpose of these programs is to drive customer retention. This is not surprising given that the name of the program is 'loyalty'. However, these programs are also designed to generate revenue, increase the lifetime value of each customer and promote the brand.
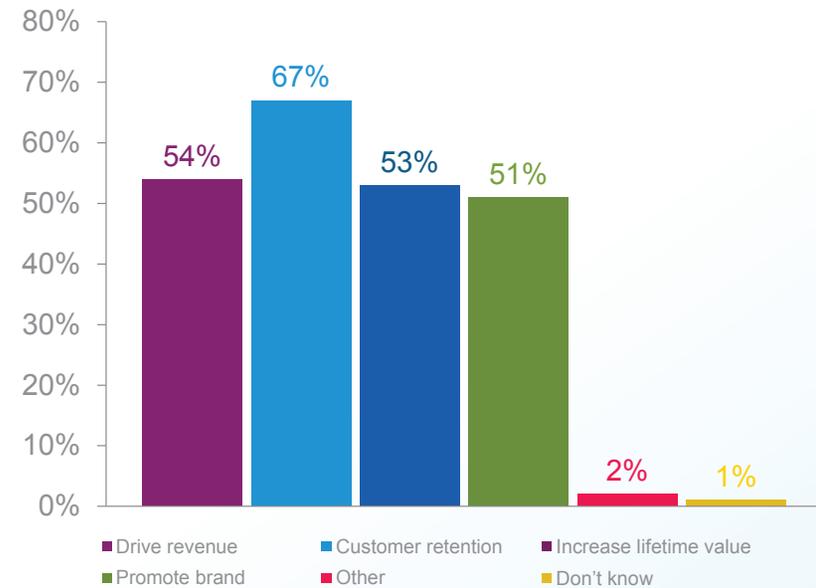
These programs take many different shapes depending on the organization. Loyalty programs serve up a wide variety of offers, marketing messages and interaction points. However, there are common benefits that customers can expect to receive.

The most popular benefit for companies to provide is points. This would mean assigning points based on given actions that ultimately lead to a reward. This is followed by free shipping and coupons. However, we did notice differences between industries. Coupons, for instance, are far more popular for retailers with 61 percent offering them, compared to 57 percent of all types of companies.
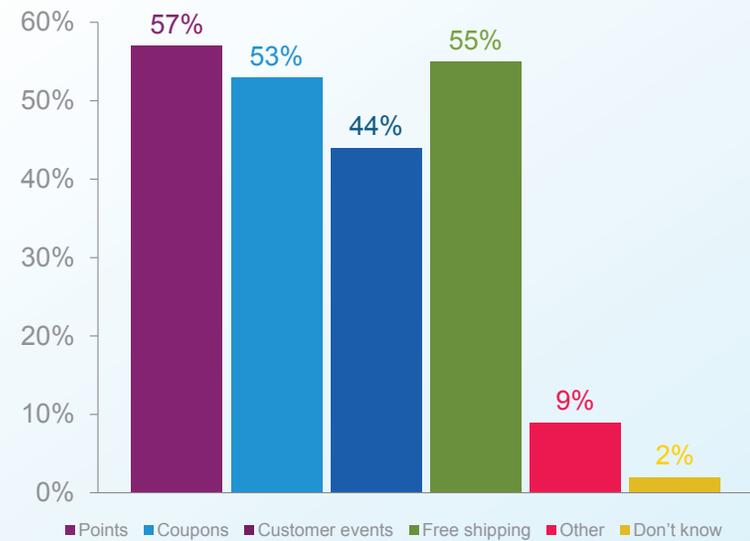
There was also a difference between small and large businesses. Those in small businesses are more likely to offer free shipping as a benefit to their loyalty program. Those in enterprise businesses are far more likely to offer points and coupons.

The most popular benefit for companies to provide is points. This is followed by free shipping and coupons.

Purpose of loyalty programs

- Drive revenue — 54%
- Customer retention — 67%
- Increase lifetime value — 53%
- Promote brand — 51%
- Other — 2%
- Don't know — 1%

Loyalty benefits

- Points — 57%
- Coupons — 53%
- Customer events — 44%
- Free shipping — 55%
- Other — 9%
- Don't know — 2%
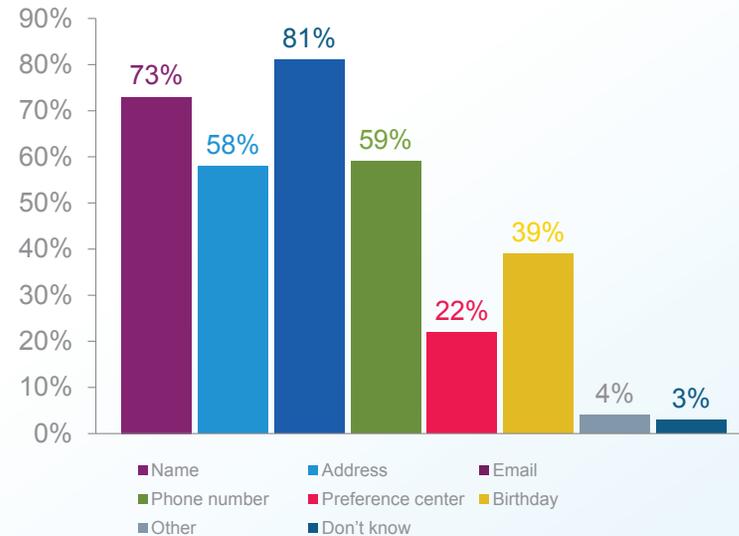
Loyalty data collection

Getting customers to sign up for loyalty programs is no easy task; it is a top challenge for organizations. However, companies do work to make it as easy for customers as possible to sign up.

Customers can access and sign up for these programs in a wide variety of places. On average, individuals can sign up for a loyalty program in 2.15 different channels. The most popular channel to sign up for a loyalty program is the company website, followed by a point-of-sale location and the call center. This is not surprising considering this these are also the most popular channels to do business and to collect customer contact information.

Loyalty program channels

Website	78%
Point-of-sale	54%
Call center	46%
Mobile application	44%
Other	2%
Don't know	3%
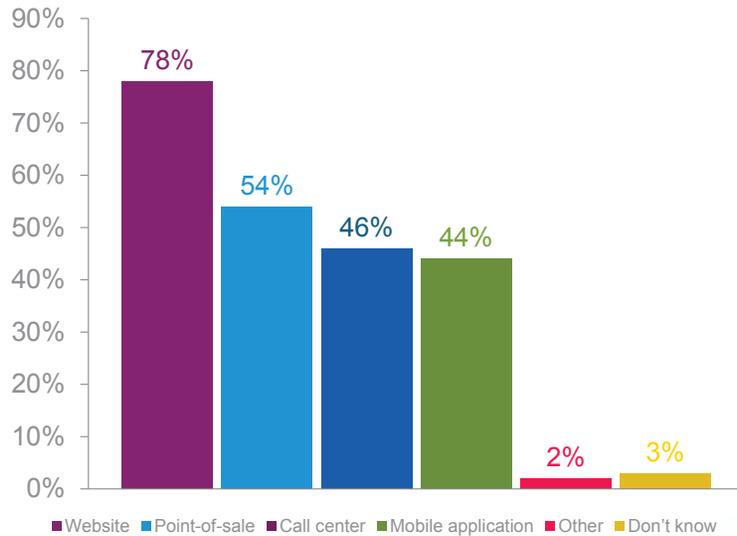
Data provided during loyalty sign-up

Name	73%
Address	58%
Email	81%
Phone number	59%
Preference center	22%
Birthday	39%
Other	4%
Don't know	3%

Through these channels, a lot of information is collected about consumers at the time of sign-up. Forms can vary in length considerably, but on average, companies require 3.23 different fields to sign up for a loyalty program.

The most popular field is email, which is requested by 81 percent of respondents. This is followed by name and phone number. Fifty-eight percent of companies ask for a customer address when signing up and only 22 percent of companies collect preference center information.

It is likely that companies are taking a 'less is more' approach when it comes to collecting customer information. Just like in a traditional online form, lengthy online forms can cause a drop off before they are complete. Companies want to reduce the number of required fields to put as few barriers as possible between the customer and signing up for a loyalty program.
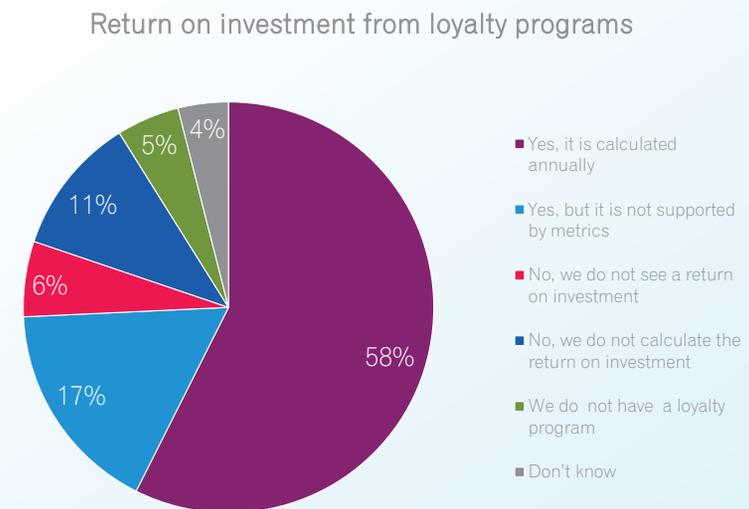
Tracking success

As with most dollars companies spend today, tracking is of utmost importance when it comes to loyalty or customer engagement programs. Companies use a variety of different techniques to track the success of programs. The most popular method for tracking success is though customer retention, which is monitored by 63 percent of companies. Other popular techniques include revenue attributed to the program and the number of new sign-ups.

However, there are two key areas for companies to track around loyalty success in addition to those listed above. They are the engagement of enrolled customers and the lifetime customer value.

While the number of new member sign-ups is very important, the engagement with current loyalty members is probably more important. This metric will be very telling to see if a customer is continuing to bring revenue to the company or just signed up to get a one-time offer or coupon. Today, companies believe that on average, 46 percent of enrolled loyalty customers engage with marketing content.

In addition, companies should look to track the lifetime value of each customer. Today, 69 percent of companies are tracking the lifetime value of each customer. However, that means about a third are not reviewing this vital metric. For those tracking the lifetime customer value, the average value of a customer is $1,803.

All of these various factors help to show a return on investment within the program. Seventy-five percent of companies see a return on investment from their loyalty program. Only six percent say they do not see a return. The rest are simply not tracking their investment in these programs.

Tracking loyalty success

52% Number of new sign-ups
37% Customer engagement with messages
54% Revenue attributed to the program
63% Customer retention
1% Other
3% Don't know

Return on investment from loyalty programs

- 58% Yes, it is calculated annually
- 17% Yes, but it is not supported by metrics
- 6% No, we do not see a return on investment
- 11% No, we do not calculate the return on investment
- 5% We do not have a loyalty program
- 4% Don't know

Key challenges and strategic initiatives

Organizations are seeing many benefits from loyalty campaigns. However, they are not without their challenges. Eighty-one percent of companies face challenges related to their loyalty program. The two biggest challenges related to loyalty programs are not enough customers signing up and poor contact data.
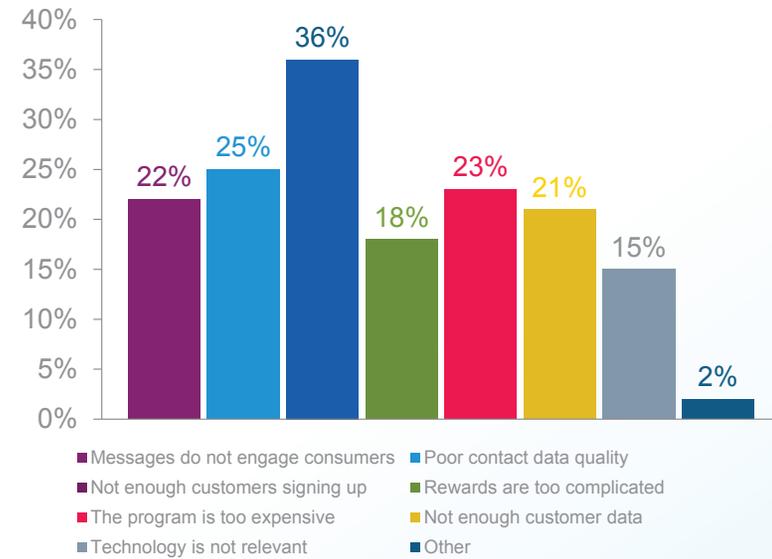
Both of these can clearly be detrimental to a program. Without enough customers signing up, it is hard to engage customer with messages and coupons that will drive additional revenue. However, inaccurate contact data means that a customer has signed up, but the marketer is unable to communicate with them in the desired channels.

This clear drop in communication and a potentially bad customer experience could by why improved data collection is the top strategic priority of loyalty programs this fiscal year. Sixty-four percent of respondents say this is a needed improvement.
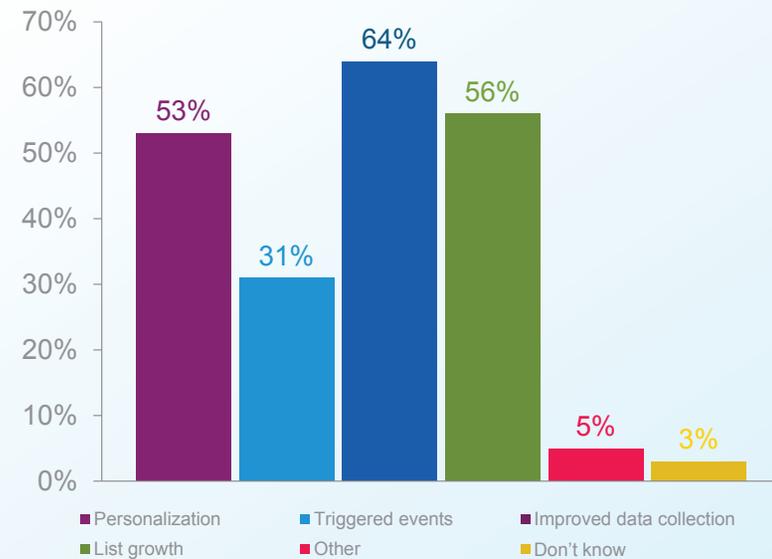
The next priority relates to customer sign up. Fifty-six percent of companies are focused on list growth in the next year. The final priority relates to engagement with the consumer. Fifty-three percent of companies are focused on personalization.

While many of these priorities overlap, they represent the varied areas companies are working on the make their loyalty programs more effective.

Loyalty program challenges

Category	Value
Messages do not engage consumers	22%
Poor contact data quality	25%
Not enough customers signing up	36%
Rewards are too complicated	18%
The program is too expensive	23%
Not enough customer data	21%
Technology is not relevant	15%
Other	2%

Top loyalty priorities

Category	Value
Personalization	53%
Triggered events	31%
Improved data collection	64%
List growth	56%
Other	5%
Don't know	3%

Improve loyalty and drive insight

To achieve the strategic initiatives around loyalty programs, organizations need to take steps to improve customer sign-up and data collection. These will not only engage more individuals in loyalty messages, but also provide the company with valuable insight to drive messaging and other marketing to the general consumer population. There are three steps companies should take to improve their loyalty program related to their strategic initiatives.

1. Use progressive profiling

A less is more approach certainly applies to forms. The easier it is for a customer to sign-up for a loyalty program, the more likely they are to do so. Progressive profiling, a marketing technique that acquires information over time from a customer, can support this.

Instead of having to fill out 15 form fields in order to register, a site visitor only has to fill in a few fields. Then additional information is gained over time as the individual interacts with the company.

Program managers could start by collecting name, email and birthday. Later on, they could collect address, phone number, etc. This allows them to reduce the barrier to signing up, but still allows them to collect information over time.

2. Ensure accurate data collection

When a customer chooses to sign up for a loyalty program, they are making a commitment to the company and expecting something in return, be it points, free shipping, coupons or just company updates. However, if bad contact information is collected, then the consumer often never receives the benefits, resulting in a bad customer experience.

Stakeholders need to put data validation in place to ensure information is accurate upon collection. This type of software can be implemented across all channels where information is collected and ensure data is accurate while the consumer is still engaged.

If information is accurate when it is collected, then loyalty programs have a better chance at engaging consumers and actually seeing the benefit that a loyalty program can provide.

3. Enhance information with third-party insight

While loyalty stakeholders certainly need to get customers to sign up and make sure they can communicate with them, they also want those communications to resonate. While only a limited amount of information can be cleaned from the customer at the time of sign-up, there is a host of additional information that can be gained from third parties that allow you to better personalize communications.

Third-party insight can allow you to put customers within set profiles and send the right communication to them. You might be able to tell that the benefits you provide are not perfect for everyone and might need to be tailored, maybe you need to offer information not only about the individual, but also their family and offers that might fit an entire household.

Combining third-party insight with existing purchase behavior can provide a wealth of information that allow messages to better resonate with existing customers.

Conclusion

As organizations look to drive more revenue from clients, loyalty programs can be a great way to engage with customers and ensure they continue to make additional purchases. This method of driving customer engagement, generating revenue and promoting the brand has and continues to be highly effective.

However, there are a number of challenges that businesses have today around their loyalty program, many of which relate to data. Making sure customer sign-up goes smoothly, produces quality data and provides enough information to personalize offers are key priorities for stakeholders in the year ahead.

To improve loyalty programs, marketers need to take steps to make sign-up simpler, validate data as it is coming in through various channels and look to third-parties to provide insight. These steps will have a dramatic impact on improving loyalty effectiveness.

Methodology

In September 2014, Experian Data Quality commissioned a research study to look at current approaches to data quality. This report, 'Driving customer loyalty', reviews the popularity of loyalty programs, their impact on the organization and the top challenges facing businesses.

There were 200 respondents in the U.S. that took part in the research, produced by GMI for Experian Data Quality. Individuals in marketing, data management, customer service, IT, sales, finance, management and operations departments who had knowledge of data management practices all took part in the survey. Businesses of various sizes were surveyed, including small businesses and large enterprises. These individuals came from a variety of industry sectors, including manufacturing, automotive, retail, financial services and travel.

About Experian Data Quality

Experian Data Quality is a global leader in providing data quality software and services to organizations of all sizes. We help our clients to proactively manage the quality of their data through world-class validation, matching, enrichment and profiling capabilities. With flexible software-as-a-service and on-premise deployment models, Experian Data Quality software allows organizations around the world to truly connect with their customers by delivering intelligent interactions, every time.
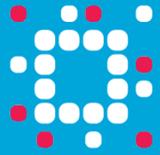
Established in 1990 with offices throughout the United States, Europe and Asia Pacific, Experian Data Quality has more than 13,500 clients worldwide in retail, finance, education, insurance, government, healthcare and other sectors. For more information, visit http://www.qas.com.

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