



Omnichannel's Impact on Loyalty

OMNICHANNEL'S IMPACT ON LOYALTY

Establishing a loyal customer base is hardly a new concept for retailers. From points programs and coupons to club cards and memberships, there is a seemingly endless list of loyalty-building inducements that retailers have utilized and continue to deploy.

According to the 2015 Colloquy Loyalty Census, U.S. consumers hold 3.3 billion memberships in customer loyalty programs—26% more than in 2013. Retailers account for 39% of the total, although the fastest growth was seen in the restaurant and drugstore sectors. But while the impetus for these programs was originally to encourage loyalty, these programs also double as a way to attract new customers. In fact, a Forrester study found that only 37% of companies considered customer engagement a top objective of loyalty programs.

Despite the abundance of programs available to consumers, many retailers recognize that their loyalty strategies are tired and stale and largely cater to the in-store experience. As a result, retailers have adopted a renewed focus on re-vamping their loyalty strategies to better align them with today's omnichannel environment.

OUR PERSPECTIVE

Nothing is impacting the concept of loyalty more fundamentally than mobile. Consumers want their loyalty program to connect online, in stores and on their phones, and just having a card won't cut it anymore.

Mobile disruption and the omnichannel movement mean that retailers need to rethink loyalty altogether, moving from tactical programs to a cohesive approach focused on engagement. This shift begins with a clear articulation of the retailer's goal and incorporates a corresponding mobile strategy, using

the power of omnichannel to deliver a seamless, consistent message at every touchpoint.

Loyalty in an omnichannel world is all about:

- » **Experience.** Customers don't care about channels. An effective omnichannel strategy is geared toward achieving a single core objective: creating a seamless customer experience. This experience encourages consumers to both frequent and spend more at a retailer's establishment, which, in turn, drives loyalty. However, a key challenge facing retailers is replicating this experience at third-party outlets, where they have little to no operational control.
- » **Value.** Loyalty must be earned, not bought. Coupons and points don't generate loyalty or make customers fall in love with a brand. Retailers have to earn loyalty by adding value—knowing who their customers are, what they like, how they shop and what truly matters to them—no matter the channel used.
- » **Data.** Loyalty programs have long been valued for the consumer insights and retail analytics they provide. And when coupled with omnichannel, loyalty programs can produce an even deeper understanding of consumer habits and preferences. However, many retailers are not fully leveraging their available data, squandering an opportunity to take action on these valuable insights.

Consider Starbucks, which illustrates a best-in-class example of a loyalty strategy that leverages mobile payment technology, provides a great customer experience, works with both in-store and grocery purchases, and adds value to the consumer beyond discounts through exclusivity tiers. According to Loyalty360, advancements to Starbucks' loyalty program led to a 26% rise in profit and an 11% jump in total revenue.

WHAT'S NEXT

As retailers continue to refine their loyalty approaches, making the strategies compatible with all the ways consumers shop must remain top of mind.

The key reason is that the rapidly expanding use of mobile technology on the consumer's side and omnichannel marketing on the retailer's side will generate an exponential increase in data around customer behaviors and attitudes, at both the macro and individual levels.

This data will be further enabled by the adoption of digital payment standards and applications such as EMV (Europay-MasterCard-Visa), digital wallets and secure tokens. Retailers who commit to interpreting and leveraging this data to segment their customer base and implement a targeted loyalty strategy will gain a decisive competitive advantage.

To be sure, there is still a gap between the abundance of data and retailers' ability to analyze and leverage it. As data continues to proliferate, retailers must be more rigorous in efficiently capturing the data across all channels, constructing models that synthesize the data and developing metrics that quantify their customers' loyalty in a meaningful way. ❖

Retailers are challenged to update and revitalize their customer loyalty strategies, to look beyond the in-store experience and expand into the omnichannel world.

These companies need to:

- **Integrate channels and touchpoints:** Loyalty strategies must be seamlessly accessible to the customer anywhere, anytime and any way they shop.
- **Build loyalty into the customer experience:** Make loyalty elements a seamless part of how consumers interact with the brand.
- **Take action on loyalty insights:** Utilize data and customer insights to differentiate and personalize the interaction at every point of touch.
- **Embrace loyalty as a north star:** Raise awareness and visibility of loyalty value and metrics at the executive level to proactively drive the business.

Kurt Salmon

Success for what's next

Kurt Salmon is a global management consulting firm dedicated to building the market leaders of tomorrow. More than just partnering with our clients, we ally with them, integrating ourselves seamlessly into their organizations in order to develop innovative, customized solutions for their 21st-century business issues.

Succeeding in today's increasingly complex, consumer-driven environment is an enormous challenge.

But companies need to look beyond today; they need to position themselves for continued success in the even more uncertain future. That's where Kurt Salmon comes in.

We call it delivering "success for what's next." The results are transformative.

AUTHORS

Together, **Robert Howard** and **Michele Orndorff** have over 40 years of experience in delivering compelling direct-to-consumer marketing and customer experience strategies. Their clients include some of the world's largest retailers, grocers and global brands, as well as specialized consumer companies.

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