

LOYALTY is MISUNDERSTOOD and UNDERUTILIZED

LOYALTY PROGRAMS, LOVED BY SHOPPERS AND REVEILED BY RETAILERS, ARE THE KEY TO PROTECTING AND GROWING A RETAILER'S CUSTOMER BASE.

Why would someone even consider buying a product from a retailer if it is not offered at the lowest price, especially when it is so easy to search, shop and have it shipped from a mobile phone? This question haunts the dreams of retailers, at least the ones who can fall asleep once they think about it. The answer is a powerful force and opportunity for retailers — loyalty.

One of the major findings in the 2016 Shopper Insights 360 Study is that loyalty is a misunderstood concept and an underutilized tool. The survey of 5,000 shoppers by RIS and Tata Consultancy Services found that shoppers love the concept of a loyalty program and those offered by the few retailers that do it well (Starbucks, CVS, REI and Walgreens). But the disconnect is that so few retailers actually deploy loyalty programs, and those who do often do it in a simplistic way that doesn't lead to true shopper engagement.

One of the most interesting data points in the study is that only 15 percent of shoppers say they will always purchase from the lowest price retailer. Yes, according to 5,000 shoppers, just 15 percent say they will always purchase from the lowest price retailer. This means that retailers can fight back against price pressure using methods that go beyond lowest price alone.

The top reasons that shoppers do not always purchase from the lowest price retailer are these: convenience (38 percent), good service provided during the purchase process (23 percent), carrying products with special features that are difficult to find (22 percent), the reputation of the retailer (20 percent), and one that can tie them all together into a successful strategy — a loyalty/rewards program (19 percent).

REINVENTING LOYALTY

Retailers have known for years that shoppers have a strong inclination to join loyalty programs, but many have dismissed traditional programs because they believed they were ineffective. However, there is evidence in the "Shopper Insight 360 Study" that the fault does not lie with the shopper, but instead lies with how retailers manage their loyalty programs.

Study data indicates that retailers need to move beyond out-of-the-box solutions and instead tailor their programs to their spe-

cific retail segment and customer base. Key elements of a truly customer-centric loyalty program include points and rewards, which are essential, but also much more. Program features that were singled out in the study include: automatic discounts for special levels achieved within the program, free shipping based on business rules, special offers, invitations to special events, and many others.

Smart retailers should begin with a points or rewards per dollars spent approach (favored by 81 percent of shoppers) and automatic discounts (67 percent) when target levels are reached. But shoppers also want non-point benefits like recognition, status and special services.

For example, 37 percent say they would like to know more about how to achieve added discounts and special offers and have the ability to proactively manage their points or rewards. This kind of interactivity could provide an on-ramp for ongoing dialogue and communication between retailers and shoppers. It could also lead to experimentation with elements of gamification, i.e. go to a specific store during a specific timeframe to earn extra points or status.

More than a third (35 percent) of shoppers would like to receive special offers based on their profile, preferences and past shopping behavior. This could open the door to developing personalized marketing campaigns based on detailed customer knowledge.

Other recommendations include: the ability to recognize shoppers as members just by giving their phone number (32 percent), invitations to member-only events (29 percent), and options for accruing awards outside the retailer through co-branded partnerships (29 percent).

The bottom line is that shopper loyalty, based on customer trust, convenience and brand reputation, is a misunderstood and underutilized resource, but when it is fully developed can be a powerful tool to fight price-only shopping and a race to the bottom. **RL**



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