

True Loyalty

It's in the DNA of most retailers to think about cost versus return: sell it cheap versus invest in brand differentiation through added-value marketing. But now that every retailer is selling as low as they can as a result of consumer and competitive pressures, how can a retailer persuade a shopper to stay loyal when all they have to work with is the same low price as their competitors?

The individuality of the shopper is now the retailer's biggest asset. Every retailer with a loyalty program has access to the customer's individuality, as evidenced by a thorough analysis of what's in each shopper's basket.

Retailers can profile shoppers all sorts of ways relative to what they buy, how much they spend, how often they shop, what marketing they respond to, their lifestyle, how much they earn, and on and on.

But the magic occurs when all that modeling and segmentation information is turned into an ongoing cadence of communications, creating a brand distinction for each customer through the design and messaging of the communications.

In addition, retailers can combine those distinctive and relevant communications with offers that are profile- and customer-specific, so that every customer gets the right offer, at a differentiated price, thus creating the highest ROI while increasing loyalty.

There's only one problem: The circular. The circular has been the dominant method of marketing for most retailers for the last 50 years but it can no longer be relied on as the primary source of marketing. Unfortunately, for most retailers, there is no easy path off the circular.

Circulars can be rationalized as treating every customer equally. They offer mass distribution throughout the trading area, at a ridiculously low cost-per-piece, and are fueled by manufacturers with buyers squeezing every ounce of allowance money out of manufacturers.

This is not good enough anymore. Like it or not, the recession is forcing retailers to reevaluate how they differentiate their businesses.

A recent study by Deloitte and STORES Media said that the recession left shoppers "more attracted to private labels" and that this isn't likely to change. The imperative, according to the report, is to provide shoppers with greater value, and this "will entail being clearly differentiated from competitors so that consumers sense a unique offering... and become less likely to compare prices."

These trends have led many retailers to reconsider database marketing as a path to differentiation. While two out of three retailers currently have a loyalty program, for the most part these programs are perfunctorily tied to the circular with little in the way of marketing (e.g., "Sign up for the loyalty card and get a circular with discounted prices.") This does not qualify as differentiated brand marketing.

NEW MARKETING TOUCH-POINTS

The newest trend at retail is employing POS-driven loyalty solutions that deliver a coupon at checkout, similar to what Catalina Marketing has been doing in grocery and drug for 20 years.

There's nothing wrong with delivering a coupon at checkout, except that in most cases the coupon is a manufacturer paid-for generic coupon and not based on the customer's specific behavior. Also, using *only* a checkout solution as marketing—which is primarily delivering manufacturer coupons—does nothing to build the retail brand. Nor does it differentiate the retailer from every other retailer that also provides manufacturer coupons at checkout.

In-store rewards also presume that customers are in the store regularly. Marketing that is limited to in-store exposure doesn't acknowledge that 95 percent of customers shop multiple stores.

What comes after the circular?

Retailers pinpoint better ideas.

There's also no guarantee when or if they are going to be back in any one store to receive their POS coupon—especially now that they can shop at home or on-the-go with a mobile device. Without a fully orchestrated customer relationship that uses all the touch-points available based on customer choice, there is little chance of building true loyalty.

Shoppers are not just individualists in their buying behavior; they're also individualists in their use of media and technology. A well-designed and well-managed loyalty program will give customers a communications choice: How and where do they want to interact with the retailer?

There are so many choices and so many feedback loops from which to build a relationship. It isn't just about price and assortment anymore. The feedback interactive loop, through email, websites, texts, and social media, a.k.a. "Tweeting for business," in addition to direct mail and traditional media, give retailers new marketing levers to be managed, not unlike the way an audio engineer orchestrates a recording.

SHOPPING WITH LAURA

In an ideal scenario, let's say a shopper named Laura signs up for the loyalty program at Super-D, a conventional grocery chain. She fills out an application and receives her loyalty card. She receives an email welcoming her to the program with an introductory offer on her next visit.

Laura uses that offer and shops weekly over the next few weeks. At the end of that period, she receives a direct mailer with multiple offers for different departments within the store. She continues to shop using two out of the four offers she received.

The direct mail piece also describes the various food clubs that Super-D offers, so she signs up for the Super-D Dipping Club, a recipe and cooking club centered on making healthy snacks for couch potatoes (Laura has two teenage boys and a husband).

By signing up for the club, Laura receives emails about new recipes and the cooking class schedule. She also has the opportunity to receive text messages and Tweets about various events connected to the club, some of which are community-based charity drives.

Laura does not sign up for text messages, but she loves Twitter. She likes receiving information via email

and direct mail and especially likes receiving Tweets about special events and special offers at Super-D. She forwards the Tweets to friends, letting them know when Super-D is having an especially interesting cooking class, either online or in one of the stores.

Laura also loves the fact that she has her own page on the Super-D website that provides a recap of her shopping each month where she can learn about the nutritional profile of her shopping. She finds this to be a valuable bonus of shopping at Super-D.

As Laura's shopping history grows, Super-D begins to build a profile of her department and brand preferences combined with the demographic data and lifestyle data collected from her directly and also from third-party sources.

Each month, Laura receives a direct mailer with information about what's new at Super-D in terms of product and service (skewed to the kind of information Super-D believes Laura is interested in), the additional cooking clubs and community events supported by Super-D, and the promotions and special offers available.

What Laura doesn't realize is that the promotions and special offers are specific to her based on her spending, visit frequency, and basket profile. Each department and product offer, and the price on each, is specific to Laura's shopping patterns. The more she responds, the smarter the offers get.

As Laura's visit frequency increases, she is moved up in the ranking of customers by Super-D and is offered special discounts in her favorite department, which is, you guessed it—snack foods.

In a world gone targeted, digital, and social, the circular is generic, static, and flat. In a post-recession economy, industries are being restructured, reengineered or retired. The retail industry needs to reinvent its marketing logic, and use all of the tools available to build sustainable, true loyalty among shoppers. ■



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