



Insight is 20/20 Vision



... will you opt to surprise and delight your valuable customers?

We've all had our share of bad relationships. There are the co-dependent ones. There are the controlling ones. There are the ones that you cling to long after they should have been abandoned. And there are those that have a limited shelf life—the ones that should never be classed as anything more than a casual fling.

We gain perspective as we go along, hopefully looking back to learn from our mistakes. But has there ever been a time when you pursued a liaison in spite of your better judgement? While you should have, and did, know better, you still tried to convince yourself that you could prolong your one night stand, or that something entirely one-sided would magically transform into a deeper and more substantial connection?

Every day there are retail organisations in the marketplace doing exactly that, avidly pursuing consumers with promises

of undying devotion that rarely lasts beyond the first flush of happy hour. In the race to win consumer business, the lasting depth and worth of a potential relationship can often be overlooked. So what is it that makes a consumer transition into a loyal and high-value customer?

of undying devotion that rarely lasts beyond the first flush of happy hour. In the race to win consumer business, the lasting depth and worth of a potential relationship can often be overlooked. So what is it that makes a consumer transition into a loyal and high-value customer?

In it for the long haul

Simply put, customers want to have an ongoing relationship with you—consumers don't. The trick for your businesses lies in identifying which one you are marketing to.

In the old days of brand advertising, consumer identification or recognition did not factor into the equation. Through the use of television and other mainstream media, brand advertisers were able to target and reach approximately 80 per cent of their audience with a few well positioned advertisements. It was not until the advent

of direct marketing that the consumer was regarded as an individual. Direct mail became addressable to "Mr Neil Joyce" rather than "The Householder".

In the race to win consumer business, the lasting depth and worth of a potential relationship can often be overlooked.

As technology has developed, our marketing channels have proliferated, with email, mobile, social, web, and interactive television evolving to bring us to a point where marketing is targeted, truly personal and measurable. This is the world in which we strive to engage with customers today.

In this world the consumer is well and truly in control ... and it's no secret that he or she is fickle. Personal disposable income is under the most intense pressure it has been in decades. With an unprecedented array of brands vying for their business it's *all* about customer choice. Consumers are no longer limited to shopping via retail stores, but can also engage directly with wholesalers and manufacturers, or avoid outlets entirely by purchasing online.

Having so many options gives consumers an unparalleled level of personal power. They vote decisively with their wallets and with individual opinion that carries considerable weight, as consumers trust each other far more than they trust the brand marketing on which they once relied.

It is far easier for a brand to initially engage than it is to keep up a long-term affiliation. If we regard the three primary objectives of consumer marketing as acquisition, conversion and retention, many will thrive at the acquisition phase, only to fall at the hurdles of conversion and retention.

If you are unable to distinguish your casual consumers from your valuable customers you can easily make the mistake of under-investing in more significant relationships, and over-investing in those hit-and-run contacts that are of little long-term worth to your business and can be more costly to sustain.

Don't discount yourself

The temptation to discount is like a drug. The pay-off is an immediate high when you see a resultant spike in sales and store traffic. Even the number of new customer details you collect can appear to be a win. But it's not long before you realise that this apparent new business seems to be bringing in little sustainable value, and the slump that comes after the sales peak has you tempted to discount again. In addition, there is an entire group of casual, fly-by-night shoppers, all of whom were attracted by your initial 20 per cent reduction, and will not purchase again until the next discount. That expectation of 20 per cent can quickly turn into 30 per cent, and so on, until you find yourself trapped in a cycle of devaluing your brand for the quick fix of your next sales spike.

The key to unlocking customer value lies in maintaining an ongoing, mutually rewarding relationship. Ask what is it about your brand that will keep the customer engaged. What is it that will keep them spending, and which of your customers do you most want to keep returning to your store?

To recognise those customers who bring the greatest value to your business you need to separate the unidentified shopper from her identifiable counterpart. This requires the effective application of data-driven insights. Imagine having the knowledge at your call centre operator's fingertips or your in-store point of sale to know that the customer you are dealing with has consistently demonstrated loyalty and given you repeat business. It should then

be an easy matter to ask how the iPod they purchased last week is functioning, extend the offer of complimentary headphones to enhance their enjoyment of the product, or a \$30 gift voucher, rather than having them wait for the next store-wide sale, during which any casual passer-by can obtain a 20 per cent discount.

The temptation to discount is like a drug. The pay-off is an immediate high when you see a resultant spike in sales and store traffic.

Maintaining this view requires multi-dimensional insight. There is no single channel that can tell you everything you need to know about your customer.

Once you learn to recognise your customers you can hone your communications to connect directly and immediately with them. Remember what has gone before, with each interaction, regardless of the channel in which that contact takes place. Your customer wants you to know them, and they want you to know them instantly, wherever and however they appear. They expect you to retain information that they have already imparted to you. They expect you to be able to predict what they may or may not be interested in next. Once you have their attention, you will keep it through the relevance and immediacy of every interaction, both in-store and post-sale.

The predictive capabilities of actionable insights also give you the power to forecast consumer behaviour, whether it be by their anticipated reaction to a new price point, or, in the case of customer lifecycle management, the likelihood of long-term value versus the short-term turnover of hit-and-run consumers.

Unconditional loyalty?

While most of us feel justified in expecting loyalty in our relationships, those actually in the business of providing loyalty initiatives often find such fidelity unrequited, so subsequently struggle with customer profitability.

If you have implemented a loyalty program, ask yourself if the incentives you extend to your high value customers differ sufficiently from those discounts you offer the daily traffic that appears in-store. If your customers were asked to pay a small

annual renewal fee to remain a member of your loyalty scheme, would they? Would they deem the rewards sufficient?

Does your business profit from its own loyalty scheme, or does it stagger under the weight of loyalty point liability collected from too many unidentified shoppers along the way? Is it incorrectly administered, so you are giving away free stock and getting no benefit in return for that investment? More importantly, is the reputation of your brand enhanced or damaged by the way in which you communicate with your more valuable customers?


Actionable insight can help you maximise that customer profitability by improving the effectiveness of your promotions, forecasting and pricing models. Insight-driven customer personalisation makes optimal product and offer-alignment possible, enabling you to capitalise on customer value.

Sounds obvious, right? Well, customer insight often is, with the benefit of hindsight.

For my part, I know I would love to check into a hotel that knows me well enough to say, "Mr Joyce, great to see you again. Your mini bar is stocked with Heineken, the Armani store on the corner has some new stock in, and the pool will be open for you to swim a few laps in the morning after your wake up call." You know what? They would keep me coming back.

There is no single channel that can tell you everything you need to know about your customer.

So what will you do? Persist in administering the discount drug and continue to allow your brand to fall prey to the hit-and-runs? Or will you opt to surprise and delight your valuable customers through relevant marketing and communications that are driven by customer behaviour, attitudes and, ultimately, transactions? The resulting customer engagement will be fundamental to improving your return on marketing investment.

The consumer is out there, making choices every day. How do you deploy a strategy that will help them choose you? 

Neil Joyce is a senior executive at Acxiom Australia New Zealand.