

OMNICHANNEL LOYALTY

DESIGNING THE ULTIMATE
CUSTOMER EXPERIENCE

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WHAT IS OMNICHANNEL LOYALTY?

It's as if it were some kind of secret enchantment: the ability for marketers to connect with their customers in such a seamless and relevant manner that they don't feel they've experienced being "sold" at all. Think about it. Success means the endgame of loyalty is in the palm of your hand—a customer returning to your brand for purchase after purchase, time and time again.

Peter Drucker, the renowned management consultant, knew when he spoke of this "charm of invisibility" (a nod to the magic of Harry Potter) that seamlessness would depend on a marketer's ability to tuck and fold the message neatly into the delivering mechanism, touching the mind of the consumer. This is the inspiration for a new way of delivering customer experience; a term alone that promises a kind of mystic presence.

“ The aim of marketing is to know and understand the customer so well that the product or service fits and sells itself. ”

Peter F. Drucker
(1909-2005)

Q: Can you be in multiple places at one time?

A: Yes, you can be everywhere—omnipresent.

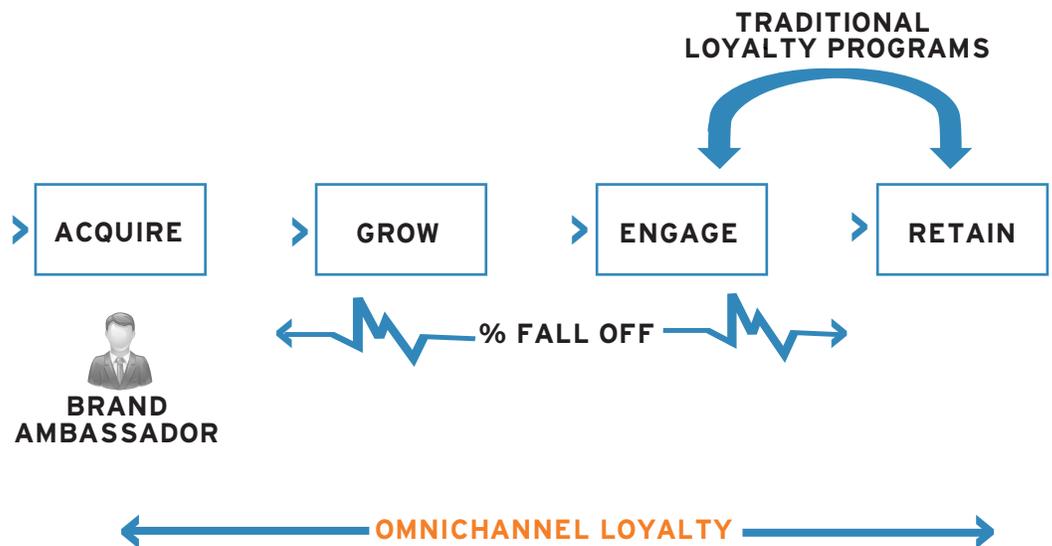
In fact, the 21st century shopper expects it.

The lines between the various marketing channels are blurring like never before. The term *omnichannel* is an outgrowth of multi-channel marketing—efforts that under the proper management expertise and technology solutions can be upgraded to offer an omnichannel experience. And in these tech-centric times, omnichannel loyalty is the answer. In simple terms, it's the promise of omnichannel marketing brought to life. Marketers want to sell products to consumers while loyalty experts wish to engage, retain and grow these new customers and drive them to advocacy. But truly, the only way to accomplish both effectively is by offering channel-optimized loyalty programs "right timed" to deliver engagement at each and every touch point that meet the needs of each customer on their own level.

Between print, online, broadcast, mobile, retail point-of-sale, gaming, kiosk, outdoor, direct mail and social media (to name a few), omnichannel marketing surrounds us. Think of it as the marketing 6.0 upgrade to what's been occurring for years. But in order for omnichannel marketing to truly achieve the vision set forth by Drucker, it's paramount to understand the essence of omnichannel loyalty, too.

WHY IS IT IMPORTANT?

Too often marketers—even successful multi-channel ones—fail to incorporate loyalty early enough into the omnichannel “big picture.” Instead they focus their loyalty efforts toward the middle or end of a campaign. Think of the brick and mortar experience where, after browsing store aisles and selecting products for purchase, only then does a salesperson or cashier try to entice the customer into a loyalty program. And often it’s neither, it’s a sign at the cash/wrap counter: “Get our card today and get double points on your purchases,” or the like.



OMNICHANNEL LOYALTY

A customer-centric approach to maximizing cross channel marketing that builds brand allegiance at first impression, driving cumulative effect on loyalty-related outcomes over time.

Omnichannel marketing is the fundamental practice of providing a seamless marketing experience across all mediums possible, engaging consumers with the right message at the right time on the right channel. Unlike traditional rewards programs, *omnichannel loyalty* is the approach to maximizing cross-channel marketing with an emphasis on driving cumulative loyalty-related outcomes—not through a single campaign, but through a lifetime of ongoing campaigns that speak to that customer and engage them within the brand. But key to its success is that it’s accomplished in a way that isn’t bombastic, monolithic or intrusive, but rather organic, intuitive, individualized, engaging and fun—and offered in real time, 24-7-365, regardless of the channel.



MISSED OPPORTUNITIES

Underscoring the need for loyalty improvement, the latest Forrester research from the company's 2012 Global Loyalty Online Survey found that only 37% of respondents defined customer engagement as one of the top-three business objectives for their loyalty campaigns. And when it came to the types of loyalty programs offered, only 42% of companies created an experience-based campaign versus a strictly discount-based one. This information comes at a time when all verticals seem to be elevating the customer experience to the highest objective in their yearly strategy plan.

Omnichannel loyalty seeks to move customer engagement much higher on the marketer's priority list, and this notion will undoubtedly grow as a direct response to consumer needs, wants, desires and purchasing habits. Whereas multi-channel marketing is often haphazard or erratic so as to cause growing numbers of consumers to tune out and reject marketing ploys altogether, the emerging omnichannel loyalty approach is a safeguard against such disengagement. It is about right-timing and right placing; it's about opting in and expecting pushed materials across the channels they choose. This is customization in action, enhancing the customer experience in a more personalized and interactive manner.

Consider omnichannel loyalty experience something that, to use Peter Drucker's own words, sells itself.

“Successful omnichannel loyalty is about delivering loyalty from the very beginning of the customer lifecycle, across all channels—seamlessly. True connection begins even before consideration; I'm talking about that inkling that makes someone engage in the first place, and say “yes please” or “more please,” sparking an instant got-to-have-it moment. That inception signifies success.”

Marc Glazer
VP of Brand Loyalty
Kobie Marketing

THE OMNICHANNEL VOID

49% lost sales opportunity costs

42% customer expects similar experience regardless of channel used

35% inconsistent branding across channels

Source: Aberdeen Group's 2011 Omnichannel Experience Report

MEGA-CONVENIENCE TO MEGA-CONVERGENCE

Even though the borders of marketing channels have grown more porous and show signs of heightened convergence, they still adhere to age-old basic marketing principles:

- + **INCREASE** new business/secure new customers
- + **DRIVE** incremental sales from existing customers
- + **REDUCE** attrition
- + **MAXIMIZE** marketing effectiveness
- + **LEVERAGE** data
- + **BUILD** loyalty

The move toward mega-convergence (and mega-convenience) is nothing new. It's the idea that inspires physicists in search of the "theory of everything" that can predict all possible physical outcomes to an event. It's the marketing genius that helped one-stop-shopping outlets like early 20th Century general stores evolve into the 21st Century Wal-Marts and Targets of the world—general stores on overdrive. And it's how once-popular personal digital assistants like the Newton and Palm Pilot (remember those?) have morphed into modern iPhones and Androids, capable of performing and seamlessly integrating all the tasks of multiple PEDs (data storage, Internet/email, mobile phone, music, video, media and games) in one device.

And just like the above examples, it is customers who are helping drive this change to omnichannel convergence. One way they are doing that is through mass smartphone adoption—one of marketing and loyalty's most valuable customer service resources, capable of tracking vital metrics including opt-in, coupon redemption and location awareness tracking. With adoption rates now exceeding 60% in many countries, a critical mass has been reached. And with upward of 80% of U.S. consumers in 2011 using the web at some point in their product research and purchasing, according to consulting firm Cook Profitability Services, the lines between purchasing channels are clearly not limited to the in-store/mobile example from above.

This development stands in sharp contrast to the web's earlier days when it was expected the Internet would be a standalone product platform.



Upward of 80% of U.S. consumers in 2011 used the web at some point in their product research and purchasing.



Cook Profitability Services

At that time, offerings such as loyalty programs could be specifically targeted without respect to other channels. Instead what happened was fierce intra-brand competition.

Marketers were ultimately taken off message, allowing competitors to gain the better hand. Worse still, not only were brands isolated by marketing platforms, the early web and its products, it turned out, were not nearly as valuable as Year 2000 NASDAQ prices would have investors believe. On March 10 of that year, dot-com prices peaked and the bubble burst. For marketers and their loyalty programs (where they existed), the end was in sight. Inventory and customer service had to be jettisoned through deep cost cutting, heavy sales and promotions that did nothing for leveraging brand value. Fast forward a decade and just offering products and promotions through multiple touch points is no longer enough.



Omnichannel is to retail/commerce what cross-channel is to marketing; both terms revolve around making the customer experience truly seamless and highly relevant across a growing spectrum of channels and devices.



Ed Hadley
Senior Marketing Manager
Neolane, a B2B and B2C
digital marketing
software firm

Another interesting case study is the newspaper industry. Once on the edge of extinction, newspapers have arguably learned a lesson from their own history as they continue to drive print and online loyalty simultaneously. Look at how print edition *New York Times* subscribers can access the complete digital newspaper online or on their mobile device. Non-subscribers, however, are given limited access via a free iTunes app to read “top news” for free. This dual tactic helps preserve already loyal customers and attract new ones by essentially offering a “free sample” of their work.

IT'S A FACT

Loyal customers are repeat customers. And while IDC data shows that multi-channel customers spend 15% to 30% more than single-channel customers, additional data reveals that omnichannel customers spend 15% to 30% above multi-channel customers.

WHY?

Because omnichannel customers have been engaged through multiple platforms simultaneously and remain loyal thanks to timely, relevant and individualized content.

EMERGING TECHNOLOGY CHANNELS

Two years ago, Gartner predicted that by 2013 mobile devices would become the dominant way to access the web. The charts at left speak for themselves, but clearly the conversion to the smartphone/tablet is remarkable. Much of the conversion is due to continued Internet proliferation, but it's the ubiquitous nature of the smartphone/tablet and its multifunctional ability that's truly paving the way.

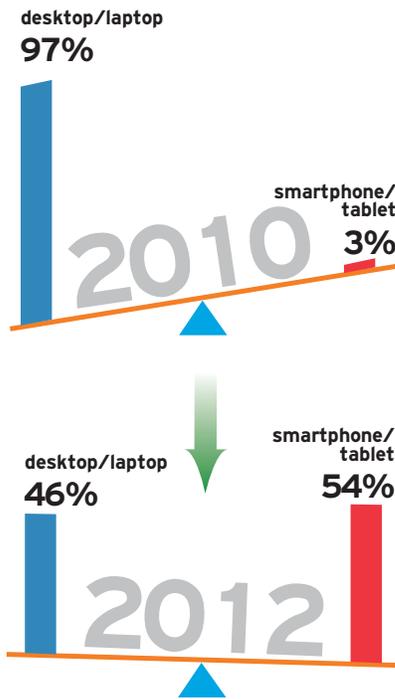
While the opportunity to build loyalty through mobile is virtually unlimited, we're only starting to scratch the surface. According to Adobe Digital Marketing, tablet consumers are more valuable than smartphone consumers as they tend to purchase and spend more than those who visit retailer websites via their smartphone. In fact, this analysis of 16.2 billion visits to websites of more than 150 retailers not only found that tablet visitors spend over 50% more per purchase than smartphone visitors, but over they spend 20% more than visitors who use their desktop/laptop computers (traditional visitors). Moreover, since the user experience is different on a tablet than a smartphone, retailer websites now need to be optimized for both types of consumers.

+ MOBILE

As the soon-to-be dominant medium consumers use to access the web, it's no wonder print ads and TV videos are migrating to the new ship of communications and commerce. In fact, according to a recent Strategy Analytics projection, worldwide mobile ad spending is expected to jump 85% in 2012, making it a \$67 billion industry. But not only is the physical world joining the digital world, these mobile messages can also be effective in driving loyal consumers back to brick and mortar products and promotion. Smartphones are the promise of omnichannel loyalty coming to life. Think about it this way: Smartphones deliver push and pull from everywhere and anywhere, anytime day or night - wherever you are.

+ SOCIAL MEDIA

Thanks to the burgeoning world of apps (more than 500,000 in the iTunes app store alone) and the mobile web, social media sites like Facebook and Twitter are constantly within fingertip distance. And if they're on the tips of users' hands, you can be sure they're on the minds of marketers and loyalty program designers too. The most recent data suggests that 68% of small businesses use Facebook as a marketing tool and that 78% planned to spend more in 2012 on their social media budgets than they did the year before. More importantly, connecting with consumers in the social media space opens up the possibility of one customer's loyalty to a particular brand becoming contagious and spreading through their social networks to other potential consumers—building an army of brand ambassadors.



+ GAMIFICATION

Since the dawn of the computer video game age with the 1972 release of Atari-classic Pong, a game with a tennis-like feel, marketers have known that incorporating elements of game play into product engagement is a great way to sell their specific products. Today, gamification is evident in loyalty promotions that promote what's known as the three Ms—motivation, momentum and meaning—and can include things like rewards or points, different levels (of increasing difficulty) for customer engagement, and game world linking to larger real world purposes (e.g. customer engagement whose accumulated points can go toward helping a non-profit or other cause). An example of gamification can be seen in the efforts of LEAP4LIFE, a subsidiary of Sweat Equity Network (SEN), which has perfected engagement through lifestyle where it offers a range of team and individual fitness challenges redeemable for rewards and points. In the past six months SEN participants have logged 271.7 million steps and burned 11,448,663 calories, or about enough energy to sustain a single person for 12.5 years under a normal diet!

+ LOCATION-BASED TECHNOLOGY

This may be the strongest example yet of how the smartphone is helping mix, blur and combine physical and real-world marketing aspects and, therefore, is becoming critical in shaping the new omnichannel loyalty picture. So-called “smart” digital signs are popping up everywhere and estimates from IMS Research put the number of units at 11 million worldwide with global revenues reaching \$7 billion by 2013. More than just delivering static content or even updating digital content to an amorphous, disengaged passerby, smart signs via opt-in safeguards can “talk” to smartphones and send relevant and timely marketing messages that can begin to drive loyalty long before a consumer has even considered making a purchase.

+ NEAR FIELD COMMUNICATIONS

NFC relies on radio frequency identification similar to Bluetooth® but works at far shorter ranges, around 4/5 of an inch to 4 inches and is the technological wizardry behind offerings like Google Wallet. Instead of swiping traditional credit or loyalty cards, NFC allows for virtual cards on smartphone screens that can be scanned by point-of-sale readers, much like the common credit card swipe does today. But by remaining within the mobile medium, marketers can offer a mobile-enabled loyalty promotion without making customers jump through real-world and virtual hoops to redeem. Market research firm Frost and Sullivan predicts that by 2015, NFC transactions will be a \$151.7 billion industry.



As the number of mobile payment users grows to over 375 million in 2015, we predict the demand for devices with NFC communications technology will push global annual shipments of NFC chips to over 1.2 billion by 2015.



In-Stat, A NPD group company

DIGGING DEEPER

Omnichannel loyalty is the wave of the now—poised to have a profound impact on the way businesses attract, engage and retain customers and how organizations restructure their loyalty and rewards campaigns. Harnessing the power of omnichannel means being increasingly everywhere and anywhere for omnichannel consumers—shoppers who no longer distinguish between online, retail in-store and mobile purchases. Why? Because in growing numbers transactions are happening simultaneously as shoppers browse to research products, price compare and then choose to buy products in-store or seek better deals elsewhere.

MOBILE AND THE CONNECTED CONSUMER

52% used mobile for in-store decision-making

38% called friends for decision-making advice

24% read product reviews

25% compared prices

Pew Research found that during the 2011 holiday season, 52% of all adults used their mobile device while in-store specifically related to their prospective purchase; 38% to call a friend to ask questions or get advice; 24% to read product reviews; and 25% to compare prices. The 18-29 and 30-49 age groups reported the highest usage in all three subcategories—63% and 59% respectively. Seeking that better deal elsewhere and, more importantly, being engaged much earlier in the customer lifecycle is exactly where the notion of omnichannel loyalty comes into play, and begins to differentiate itself. Just as marketers seek seamless integration between marketing channels, so too must they place equal value on seamless loyalty.

Consumers want everything now and in all places in real time, including loyalty benefits. Rather than being seen as siloed marketing channels, each with their own goals, product expectations and data tracking, omnichannel outreach integrates all marketing including loyalty and optimizes all channels so that they can operate as one, engaging ever tech-savvy consumers at the right time using the most relevant content to provide an uncluttered, efficient experience—the experience that today’s omnichannel consumer demands, but rarely achieves.

The reality is that the days of multichannel marketing are over. While the “parts” may all be in place, they’re not communicating as efficiently as possible. Back to the retail customer example on page 3 who prefers an SMS-level engagement to start their shopping experience, while the cashier not knowing that tries to pitch a loyalty program at checkout. That’s where today’s multi-channel loyalty programs miss the mark. Ideally this hypothetical cashier should have been fully aware of how the customer preferred their branding interaction. And in these struggling economic times, every dollar shelled out by consumers factors big time in their decision-making process. Failing to provide the type of channel integration consumers now expect could doom your loyalty program before it ever takes root.

OMNICHANNEL LOYALTY IN PRACTICE (ALMOST)

Omnichannel loyalty doesn't exist only in theory. It's beginning to exist in practice too. And even if not fully implemented it's at least being considered critical to the shopper mindset of the very near future. To that point, the Harvard Business Research published an intriguing article related to this matter. Titled, "The Future of Shopping," the piece began with an entirely believable, if fictional, scene setter. Amy, 28, of Chicago, is stuck inside on a snowy Saturday. The dilemma: Amy is planning a Caribbean getaway and needs some new clothes. In 2012 she likely would begin her wardrobe search on the web with her smartphone, tablet or laptop. But in 2016 (when the scenario takes place) she begins her research by videoconferencing with her personal concierge at a favorite store.

“It might be a retailer's worst nightmare: a consumer stands before a wall of flat-screen TVs, contemplates a purchase, and pulls out a smartphone to see if a better deal is available elsewhere. This increasingly common sight may heighten retailers' fears that they are caught in an inevitable race to the bottom on price. Yet while price competition is tough, our consumer research and client experience show that perceptions of value still matter in the ever-more-complex multichannel-retailing environment.”

McKinsey & Company

The concierge recommends several selections and Amy's avatar—a graphical image that represents a person—tries some on while others are rejected. Amy is then free to continue price comparing, shop using more traditional web browsing techniques and discuss her purchases and potential buys with her friends through social media. Ultimately, she buys the clothes off her smartphone to be picked up in-store. Upon leaving an interactive digital sign has another customer-specific offer. That too is ordered via contactless QR code and will be shipped to her home.

While omnichannel loyalty isn't mentioned, it very well could have. Amy is incentivized to become a more loyal customer thanks to a combination of digital and real-world technologies, successfully mixing both the online and offline worlds. Perhaps, if we were writing the above scenario tailored specifically to omnichannel loyalty, we would have only changed how Amy's shopping mission began. Rather than having Amy reach out to a specific store or search online, an omnichannel loyalty system may have been aware of her travel plans thanks to its seamless integration with her Facebook page. In our modified scenario, Amy receives a text message, Twitter feed or even an email (depending on her preferences) alerting her to the potential deals, savings and most importantly, her personal style interests.

That's what it means to extend loyalty scenarios to the very beginning of the transaction process. But there's no reason why 2016 can't be 2012. The technology needed to launch omnichannel loyalty programs already exists. All that's required is the organization, planning and integrated software that monitors and cross compares an individual's digital life to turn multi-channel loyalty into an omnichannel framework.

LESSONS LEARNED

Effective omnichannel loyalty programs need to be incorporated throughout all mediums, each based on financial objectives with key performance indicators and metrics gathering that can be easily shared between them—and from the marketer, acted on and adjusted in real time using the right technology platform.

But a word to the wise; there's growing evidence to suggest that as much as ineffective loyalty programs risk turning customers away, data overload is overwhelming marketers too. A recent IBM study found that 90% of real-time data being collected isn't being used effectively. Additionally, while 80% of chief marketing officers (CMOs) continue to collect traditional market data (e.g. customer surveys), only 26% track blogs and just 40% track "any online conversation." Many still just don't get it.

Before an omnichannel loyalty program can be integrated and implemented, companies should first take careful stock of their existing multi-channel loyalty efforts and perform channel by channel evaluations of what they're doing well and what could be done better. Collecting customer data is only the first step. Analyzing it is what's really important. And because it's easier to engage existing customers than attract new ones, understanding and leveraging that mountain of data becomes even more essential.

IMPLEMENTING A LOYALTY APPROACH

Data increasingly shows that the perceived value of loyalty programs has dropped—only 22% of respondents in a 2011 Forrester survey said they purchased more and more times from a brand because of their involvement in a loyalty program, compared to 31% in 2008. And overall just 35% of loyalty program members make up a typical company's total customer base. So the question becomes how in an age of hyper competition can omnichannel loyalty marketers differentiate and improve their offerings? The answer is to provide better experiences aligned across all channels so you can improve loyalty related efforts and grow membership. That's not to say implementation is easy. Rather, upgrading from multi-channel to omnichannel requires top-level buy-in to the omnichannel marketing approach, which can then be leveraged in the loyalty program. It's also important to think in stages and phases. Going omnichannel doesn't have to happen all at once. Understand the true value of what omnichannel true value of what omnichannel can do for your company before jumping in and investing.

“Loyalty and customer intelligence are inextricably joined at the hip. CI systems such as customer relationship management (CRM) and campaign management tools generate customer insights that make programs smarter. In turn, loyalty programs generate valuable customer data that feeds customer intelligence.”

2012 Forrester Research
Wave Report

It's about alignment of what you already have in place, and aligning the message and channel strategies. Research the uses, strategies and tactics, and understand the channels better and use them to their best advantage. Omnichannel marketing and omnichannel loyalty aren't just buzzwords, but are true philosophies decidedly based on hard facts and emerging trends. Think overhaul, not just simple upgrade.

For all that's changed in loyalty marketing, what hasn't changed is equally important: customers seek a unique experience, with appealing benefits and experiential rewards that meet their needs and compels them to further action. Especially in these cash-strapped times, loyalty programs, from card-based to smartphone-enabled to everything else in between, are the backbone of the marketing industry because they promise true customer satisfaction. Messaging and relevant content needs to hit customers where they "live" and transact—on the go and everywhere. Integrating existing loyalty programs into an omnichannel approach, while ditching the one-size-fits-all-paradigm, is a must if loyalty programs wish to evolve with current marketing.

KEY TAKEAWAYS

- ⊕ Omnichannel marketing is the outgrowth of multi-channel marketing. Simply put, marketers are (striving toward/desiring to/etc.) reaching out to their customers across all platforms, mediums and channels in a more efficient and aligned manner to track data better than ever and ensure the best fit and most meaningful engagement for a particular customer. One size fits all is over.
- ⊕ Similarly, the goal of omnichannel loyalty is to attract and engage customers at the earliest stages of the shopper experience and be able to do that across all platforms.
- ⊕ Omnichannel loyalty maximizes the overall impact of marketing dollars and strategies because the comprehensive approach is not merely measured by individual campaigns and tactics, but instead is a coordinated strategy to take advantage of the cumulative benefits (from consistent messaging over time, across multiple channels) inherent in an omnichannel strategy.
- ⊕ Omnichannel loyalty is the next evolution—decisive approach to enhancing the overall customer experience by collaborating with teams cross functionally (understanding how they are using these specific channels) to leverage assets to maximize the loyalty and brand experience.

ABOUT THE AUTHOR

Michael Hemsey is a recognized leader in loyalty marketing and speaks regularly at industry conferences. As president of Kobie Marketing, he is responsible for leading all facets of the organization including business development, IT initiatives, client services, and brand execution. For 15 years, Michael has cultivated a rich background in client services, product development, marketing, technology and operations.

ABOUT KOBIE MARKETING, INC.

Forrester Research recently named Kobie a leading loyalty marketing service provider, ranking them highest for their technology platform, customer satisfaction and program management services. Kobie Marketing is a global leader in loyalty experience and an industry pioneer, delivering end-to-end strategy, technology and program management solutions. For nearly 25 years, Kobie has provided innovative loyalty programs to the world's most successful brands, helping clients receive incremental revenue, product and household penetration, and brand advocacy. Kobie delivers using Alchemy™, a best-in-class loyalty marketing technology platform. To learn more about omnichannel loyalty, visit the new company website Kobie.com. Email info@kobie.com for full citations.

