ARS Digital Business Initiative

IAB202 Business of IT

Case Study 2: Report
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Tutorial: 10 – 12pm Thursday Q218 (Workshop No. 3)
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Introduction

Context

In an era of high-speed information, the Australian Retail Stores (ARS) group continues to stage a grounded, yet agile retail platform that caters to all Australian customers. The goal of the ARS group is to carry on the vision of motivating customers to build their passion. Furthermore, it's in the mutual interest of customers, business partners and shareholders, to ensure the promise of not only helping customers, but also the team of dedicated employees to reach their potentials. In addition, improving customer experience is a key priority for the ARS Group. With 450 branches and more than 107,000 employees, the ARS group has become one of the largest retailers in the Australian outdoor, automotive, and home improvement market, earning an EBIT of $54 billion on average.

Problem

There are several problems facing businesses in the retail industry. Currently, the retail industry in Australia has greatly increased with the influx of multi-national corporations in the recent years. To remain competitive in this ever-changing market, companies need to ensure that they adopt relevant digital trends and technologies to keep up to date with consumer preferences. The problem currently facing all businesses in the industry is customer acquisition and retention. Using traditional marketing techniques (i.e. billboards, television and radio advertisements), companies target potential customer demographics. However, from these advertising methods it cannot be accurately determined whether they equate to customer sales. For example, when a business sends direct mail, advertising their end of financial year sale, the business will not be able to see which customers have purchased an item at the sale, after seeing the direct mail advertisement.

As a result, the current problem space is that businesses cannot gather any potential customer data and will not be able to further identify them to form a customer segment. This results in leaving businesses with the inability to target specifically and accurately to their potential customer in the future. Furthermore, this is supported by data (as seen in Figure 1) from the Neilsen CMO Report 2018, which shows the confidence ability of marketers to quantify return of investments (ROI) by media type. This data compares traditional media with digital media. From the graph, it is evident that marketers are 48% more confident in accurately quantifying digital media ROI, compared to the 36% confidence in traditional media types.
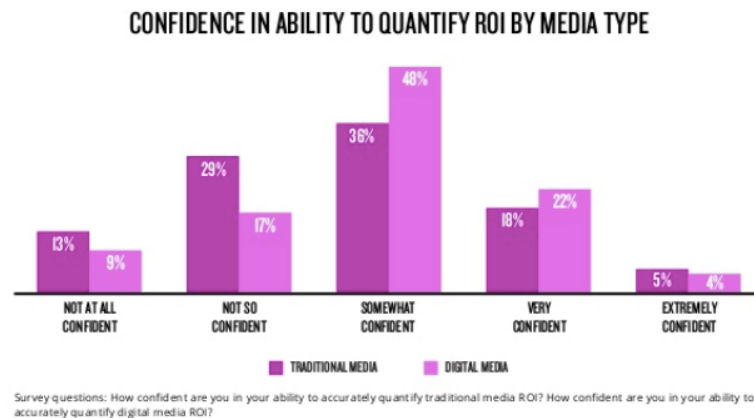
CONFIDENCE IN ABILITY TO QUANTIFY ROI BY MEDIA TYPE

Survey questions: How confident are you in your ability to accurately quantify traditional media ROI? How confident are you in your ability to accurately quantify digital media ROI?

Figure 1: Confidence in Ability to Quantify Return of Investments (ROI) by Media Type
(Solomon, 2018)

Solution

Integrating innovative and traditional marketing methods is an effective way to deliver consistent advertisements between online and offline campaigns to avoid a disconnected customer journey. For example, businesses running a printed advertisement in a magazine or a direct mailer can promote their digital marketing channels, such as social media accounts and webpages. In addition, a business running advertisements on TV can draw and extend the experience by encouraging viewers to visit their dedicated campaign page. Using both traditional and digital marketing strategies allows individual customers to connect in their most preferred way.

In order to ensure solid competitiveness of ARS's retailers in the Australian retail market, the ARS should introduce a digital loyalty program (OzClub). The idea of a loyalty program is applied in various industries (especially in retail industries) as a key marketing strategy (Reinert and Murray, 2017). What makes it so popular is its effectiveness to attract, retain and satisfy customers, while increasing profitability in a company (Reinert and Murray, 2017). OzClub will be a loyalty app integrating of businesses' individual loyalty programs, and consumers will be able to access specific rewards of that business by collecting points after purchasing. In addition, customers will also be able to access other services within the app to assist their journey.

ARS's customer loyalty program, OzClub, will provide customers with a physical loyalty card with all instructions on how to register as an OzClub member through online or mobile app. The OzClub card is placed within consumers' sight during the process of checking out to allow for easy access. With the loyalty card, customers can start earning points for any purchase made. However, if customers would like to view the points they have earned, or redeem for a reward, they must register through online or the app. The provided personal details during registration will be used to build customers' profiles and group consumers into distinct segments. As a result, we could deliver campaigns that best cater the interest of customers to maintain their loyalty.

Unfortunately, traditional marketing has been limiting target audiences' engagement and interactivity with the advertisement. Traditional marketing methods designed to broadcast information to target audiences about products or services. However, by traditional methods like delivering advertisement through print in your local newspaper or advertisements through television, there is no built-in function that allows the target audience to communicate for any means. This therefore requires maximum effort from the customer to find support if they have an enquiry. Subsequently, this could lead to a huge loss to our businesses, as they will not be able to support customers through their journey.
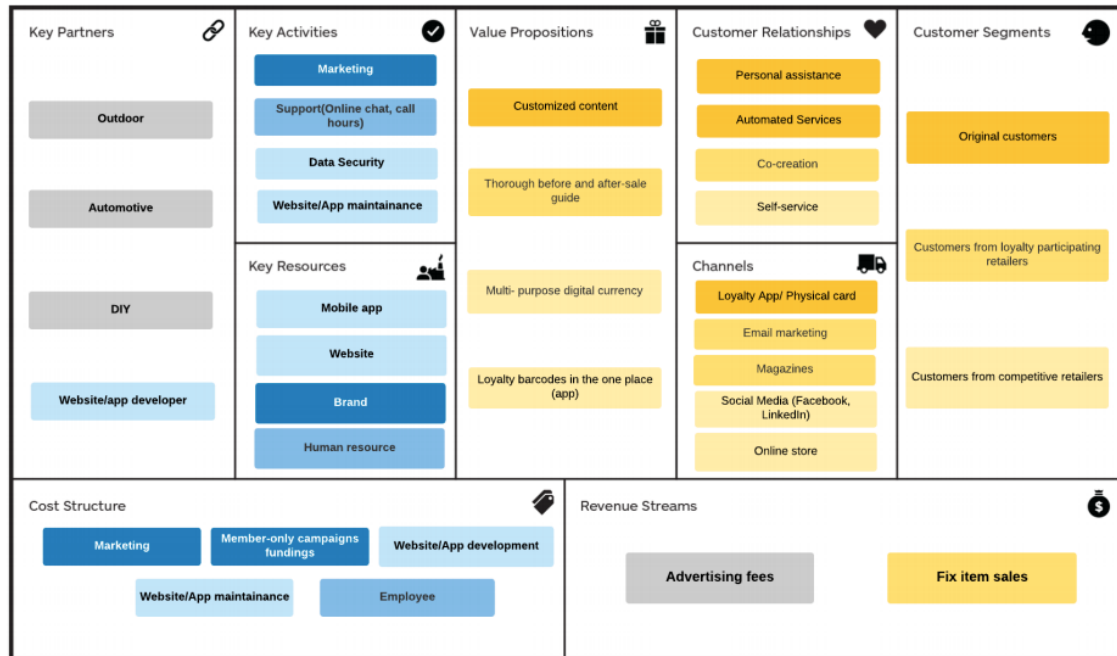
Since traditional marketing is limited in communication with target audiences, encouraging customers to shift from offline to online channel will help individuals to engage in many ways, such as rating, liking, sharing, commenting, providing feedback or sending an inquiry. The solution to solve this issue is by using social media, as it requires no effort from customers who already sign up with social media account to engage and interact with businesses. Individual customers who have any enquiries regarding OzClub can directly create conversation or post on our social media site, OzClub support group will then comment with the best possible solution. The post could also help customers who encounter the same issue to read the common questions and answer without having to approach the business individually. According to Facebook, "69% of customers in the US say that being able to message a business helps them feel more confident about the brand" (Facebook Business, 2018). This means that being able to engage with customers is an essential part for customer loyalty to build long lasting trust in consumers. Another solution is sending personalised emails, such as welcoming the customer when they become a member, congratulating customer for achieving goal, or notifying them of a campaign that best match with their shopping habit.

After identifying customers and gaining control of each individual customer transaction record, a business can uncover insight to predict valuable customers and their behavior by using Google Predictive Analytics tool. According to Salesforce, predictive analysis "is marketing that uses big data to develop accurate forecasts of future customer behaviour" (Salesforce.com, 2018). By forecasting future customer behaviour and anticipate key changes, new trends, and other opportunities, businesses are able to make a smarter marketing decision. For example, if customer purchases items or shows interest in particular items, the predictive analytic tool will be able to recommend complementary products. Furthermore, this helps optimizing customer loyalty in not only developing a better understanding which market content will be suitable to which customer segment, but it also increases customer experience of receiving personalised advertisement content that is relevant to customer interests, needs and wants.

Business Model

OzClub's BMC

OzClub's BMC

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Outdoor	Marketing	Customized content	Personal assistance	Original customers
Automotive	Support(Online chat, call hours)	Thorough before and after-sale guide	Automated Services	
DIY	Data Security	Multi- purpose digital currency	Co-creation	Customers from loyalty participating retailers
Website/app developer	Website/App maintainance	Loyalty barcodes in the one place (app)	Self-service	
	Key Resources		**Channels**	Customers from competitive retailers
	Mobile app		Loyalty App/ Physical card	
	Website		Email marketing	
	Brand		Magazines	
	Human resource		Social Media (Facebook, LinkedIn)	
			Online store	

Cost Structure	Revenue Streams
Marketing, Member-only campaigns fundings, Website/App development, Website/App maintainance, Employee	Advertising fees, Fix item sales

BMC Explanation

<u>**Customer Side**</u>

Customer Segments
<u>To commence with, 3 mass market customer groups are targeted according to the channels
they come in contact with the program:</u>

- ARS group customers, which is the original customers, and are the most willing to
  test and tolerate our mistakes in the new program. To gain their attention of the
  app, we should validate their status as loyal and valued customers by getting to
  know them.
- Customers from loyalty participating retailers, as the name stated, is likely to be
  introduced by the retailers into the program and are passive consumers. They are
  more motivated when the connection between familiar retailers and themselves, or
  connection between like-minded customers are strengthened.
- Customers from competitive retailers, tends to join the program out of curiosity,
  and may not be suitable targets for retention in the long term. Still, if they think our
  program is better than our competitors' they will be loyal customers, which is worth
  attracting. Therefore, lowering the opportunity cost of registering our app could
  attract more of these customers.

Value Proposition
- Customised content (Personal app customisation)

Customised content creates more fluent purchase experience for each customer. This could
make the ARS group customers, who are looking for their loyal status feel like their desires
are being considered and taken care of during the customer journey. It's especially valued as
digital marketing to maximise the potential of customisation through efficient data
collection.

- Thorough guide before and after-sale (education)

We would like to partner with retailers to make video tutorials, sell buyer's guide magazines
and online manuals. So far, we have Auto market, DIY market and Outdoor market, and the
products of these markets are tools for solving a certain problem (e.g. use auto components
to fix a car, paint roller to style walls at home). If one bought the wrong size of tire or the
wrong thickness of a tent peg, they cannot use the car or set up a tent, this is when a buyer's
guide and manuals are useful.

Companies which sold tools, advertise different brands with their own media. For example,
eBay Motor partners with the Enthusiast Network to make video tutorials and sell Auto
manuals (*eBay, 2017*). In other markets, Chemist Warehouse use their magazines to educate
how to do a certain style of make-up. Customers from loyalty participating retailers could
feel more engaged with familiar brands if we combine offline magazines and online manuals
to guide them to seek, assess and consume value from products during the customer
journey.

- Multi- purpose medium of exchange (Point redemption, conversion to currency)

The digital points collected from each transaction, could not only be converted back to currency, but also redeem products. This means the more times one purchases in the app, the more products they can redeem with accumulated points. When currency is calculated by experience instead of price of products, customers could shop frequently to gain more bargains.

- Loyalty barcodes in the one place (app)

Instead of having a full wallet of loyalty cards, this app gathers loyalty programs from different brands in one place using common currency to calculate loyalty. The efficiency in spotting all programs at once encourages customers from competitive retailers to try it.

Customer Relationships
- **Personal assistance:** Customers could seek help for specific problems from online chat and phone calls. (e.g. problem with participating or redeeming points in each new promotion)
- **Co-creation** aims to develop trust with customers: Customers could write reviews of products after purchase, to help us regulate the quality of products. Other than that, bloggers and youtubers tends to gain popularity through reviewing and teaching Internet users how to use products (Mogensen, 2015). These customers could affiliate with us to guarantee advertisement money and click-rate of their blogs or channels, and viewers could get a more accurate expectation of products' performance and feel safe buying them.
- **Automated services:** We send personalised offers to customers through channels such as app and email, and the contents are customised through data analytics of consumers' behavior. (e.g. recommend what other customers bought with the purchased product, send offers for categories of items they bought regularly)
- **Self-service:** When the transaction processes, redeem products with points and other services takes place online, customers could purchase items more efficiently.

Channels
- To raise awareness of the program, **social media profile** is a free advertising platform and could receive instant feedback from customers in an interactive way (e.g. polls, 'Likes' and comments). The non-forceful advertising attracts new passive customers to join the program. **Magazines** could help advertising offline. These could build a customer-friendly brand image.
- Customers could evaluate the product on **affiliated blogs** or through the **video tutorials in the app**, to guarantee future customers about the most accurate performance of their products.
- **Website** and **the Loyalty app** makes the transaction easier, along with loyalty cards for offline purchase.
- After the purchase, customers could receive monthly **emails**, to be notified of the latest campaigns and discounts, so as to raise revisitation value of the app.

Revenue Streams

- Eventually, we would <u>generate revenue</u> from **fixed item sales** with the products, **list price of manuals** and **magazines** sold in the program, and the **advertising and other service fees** received from retailers joining the program.

<u>**Business Side**</u>

Key Activities

- **Marketing (marketing to different customer segments):** Not only does the marketing have to contribute to what the consumer previously purchases, even before OzClub is released the public needs to be aware the program exists. For example, the ARS may produce strategic traditional commercial marketing in the media. A timeslot when an outdoor tv program is running, the ARS outdoor related commercial may be put on show, targeting the specific audience that it relates to.
- **Research and Development (Problem Solving):** The ARS may use the loyalty program to help track user's spending habits, what consumers look/buy for, search behaviors and geographic information. This can help lead to product suggestions to existing members to help enhance and personalise their shopping or even the app or website design to help make the user experience as accessible as possible.
- **Marketing Promotion (Production):** The program is constantly being promoted through internal and external means. For example, member benefits are constantly reminded for consumers to take advantage of.
- **Customer support (online, chat hours) (Platform/network):** Having a support base decreases the amount of ongoing problems that can potentially happen on a new app. The first stage can help locate and fix potential bugs and glitches. Support can also help guide new members when signing up, additionally, support may also find solutions to current problems quickly and efficiently such as points not converting/redeeming

Key Partners

- Because the ARS runs three different retail outlets, a variety of members who have joined the loyalty program will be catered based on the three most popular demands or consumer needs. Members who enjoy fishing or camping will make the most of their potential spending points as the ARS runs an **outdoor** retail outlet. All members will also benefit from the **automotive** outlet for basic car needs such as cleaning or maintenance. Members who are renovators, first home buyers or creative designers will also have enhanced shopping experience from the **DIY** retail side as well. The enticeful part about these partnerships is that they're all under one roof, so members who shop for all three will find a variety of special savings, unadjusted point conversions and an avoidance of repeat login credentials.
  - o **Motivation for relationship:** Optimisation and economy of scale and Risk of reduction and uncertainty

- **Web and app developers:** These are the fellow businesses that will help create the loyalty program. Partnering with the least amount of developers as possible will help

reduce overall fees and costs, as well as potentially creating the best experience if trusting the same developer for an ongoing future period.

- o **Motivation for relationship:** Acquisition of particular resources and activities

Key Resources

- **Mobile app** *(Intellectual)***:** The main platform to run the loyalty program on. The mobile app will contain everything from customer spending habits, personal details, point accumulation and special offers. The mobile app enables members to access the ARS' loyalty on the go which is ultra-convenient.
- **Website/online** *(Intellectual)***:** Alternatively, there will be the option to access member logins from a web browser, to help cater for those who may not have a smart phone (older generation). This enables most, if not all potential targeted markets to access from a variety of devices. Additionally, using it as an alternative in case the app stops working unexpectedly. Moreover, consumers often still use home devices such as computer desktops and laptops as they are more functional. The only difference between a home device and a smart one (phone) is that consumers may not be able to use the program on the go.
- **Brand** *(Intellectual)***:** The brand itself helps kickstart the program by convincing existing consumers to sign up and help influence members to remain loyal to the ARS regarding shopping habits. By already having a relationship with consumers, there will be few problems and customer trust tension when converting potential members to a new loyalty proposal.
- **Employees** *(Human)*: The program will be supported by the employees of the company themselves, as they will be the ones promoting within physical stores and can increase retention by providing face to face service. Behind the scenes the employees who specialise in IT will also help create and support the app on a regular basis.

Cost Structure

There are 5 Cost Structure elements to take into consideration when implementing the loyalty:

- **Employee wages:** A major cost when implementing the loyalty program are the employees who help run the application itself. On a weekly basis, the app and website will need to be maintained and updated by human control (employees) who in the end need to get paid for their work. Additionally, in-store employees for any ARS associated retail storefront are also considered, as they get physical customers to join and become members. Just like wages, the IT employee sector need to be paid regarding fixing, updating and general app maintenance. If the ARS uses an outside IT business to create the app, then the employees associated with those businesses will charge maintenance fees for wages and call out costs.
- **Marketing:** To help kickstart the program it is essential that the ARS invests in the marketing side of promoting the company's image. Being able to show the public about the ARS and its loyalty program allows the potential for new customers. This sort of cost comes under the customer segment dependent, tracking

customer behavior can influence how the promotion will be targeted using customer traits ("Revenue Streams in Business Model Canvas", 2015).

- **Funding members only campaigns:** To keep current members committed to the program, the ARS can help fund holiday or reward packages as members only prizes. For the company to be paying for the whole package on behalf of the winning members, it keeps current members enticed. This sort of cost would come under as product feature dependent because of the number of features and value propositions offered for the winner.
- **Website/app developer:** Fixed list pricing does not only have to apply regarding to the sale of an item. Developers may also provide fixed pricing on a range of services they may provide, which in this instance they may charge a certain fee for developing OzClub. The ARS can provide design schematics, but the programming and development of the app itself to run will be produced from the developer.
- **Website/app maintenance:** Similar to employee wages, however the IT department of the ARS will be responsible for monitoring and providing updates for the app and website on a regular basis. On a weekly scale the cost mechanism falls under volume dependency, due to the amount of certain hours laboured and the wage amount which contributes to it.

Business Strategy

SWOT

Strengths

- **Integration of loyalty program in one app:** Consumers hate adding an extra card to their purses/wallets, so integrating OzClub on a single app eliminates that problem in a contactless payment world (card). The company itself will also benefit as it will be easier to maintain. This supports app consistency on a more regular level and focus. Full integration will also neutralise the need for multiple apps/cards for different retailers, since partnered businesses can be accessed from the app as well which is one of a kind.

- **Easy and free access to program:** To support customer retention, providing a free based program entices the consumer to stay. Having no extra charges or subscriptions to the program allows them to feel rewarded and adds value when shopping at the applicable brands. Customer service does not always have to be part of the selling process, as it's also applied in the OzClub signup stage. A step by step guide allows the consumer to sign up with ease and feel more welcomed.

- **Customised content:** Although used in almost every loyalty program, having customised content allows featured product data to suit their needs. There is very little generalisation and more personalisation, allowing the consumer to feel the company is catering to their demands which is a major factor in customer retention. Fixed price discounts that is personalised to an individual user also adds value to the program, and heavily influences spending.

Weaknesses

- **Limited markets of customer:** Although OzClub allows numerous partnerships, the retail types are limited to three variations of DIY, outdoor and automotive. A major potential target is missed and that is grocery, which are necessities/essentials for everyday needs, rather than the three mentioned as they are hobbies. As mentioned in App 2, potential entrants and competition fill the grocery gap driving potential customers away from OzClub, reducing profits and growth.

- **Possibly high maintenance cost for app:** To run the app, it must be constantly commissioned from a web server. Employee/web designer costs are also a downfall to repair, fix or update the app when needed. Even daily app administration costs regarding wages for monitoring/maintaining the app are another key factor that can cost the company thousands annually just from the app itself.

- **Some consumers prefer offline channel:** Not all targeted markets have immediate internet access or a smartphone such as retirees/pensioners. This heavily impacts the value side of the program as these users are restricted to public internet spaces only as the only form of access. Other consumers prefer cards and would like to receive deals whilst in a physical shop, rather than opening emails or browsing their smartphone (traditional shoppers).

<u>**Opportunities**</u>

- **Increase partnerships (forward vertical integration e.g. car dealing companies):** Although somewhat costly, the ARS can partner with manufacturer's or wholesalers allowing more targeted markets to be reached. More growth equates to bigger profit margins, compensating the cost of running the distribution processes. Partnering with many businesses can additionally cater for customers by situating physical stores near their residence. Positioning stores close by will more likely capture nearby customers, no matter if they are loyal to a competitive brand further away.

- **Clearer customer focus for growth in long term:** Customer sign up guides and customisation makes a consumer feel more personalised within OzClub, which increases their shopping loyalty. Analysing shopping habits via customer data from OzClub also provides necessary information as to how the ARS can improve/how they can better service or prioritise their members.

- **Convenience:** As previously mentioned before, the app takes away the need to have physical cards to keep, since they can be lost/damaged and are a cost to replace. It additionally provides access to all partnered retail stores, eliminating the inconvenience of travelling to a different retailer to keep up to date with the discounts/points side of trade. Even on a desktop/smartphone, a member does not need to access each retailer's website to access fixed price discounts, since everything is listed and updated in the one app.

<u>**Threats**</u>

- **Threats from competitors (e.g. Flybuys, Woolworth rewards etc.):** New and existing competitors can potentially lose business for the ARS which can halt growth. These programs are also already existent, meaning that consumers will already be aware the loyalty program exists, and can convert if they deem them to be more reliable. The major businesses that run these memberships are familiar to the public, so there's a greater sense of trust than the ARS.

- **New entry competitor (loyalty program) with more partners – Flybuys:** A major potential threat is when another major brand joins the loyalty program race and begins to create partnerships like what the ARS is currently operating with OzClub. Another factor is when a competitor also manages to create partnerships on a global scale, rather than a local one. Given the current rate of online shopping done in retail (see app 2), global brands offering competitive member only incentives will be a challenge for the ARS to compete against.

- **Other competitor loyalty programs offer much higher point or reward:** The 21st century has become a trend for contactless cards and memberships. The ARS cannot simply beat similar loyalty programs that offer better incentives or better point conversions. It would be even more difficult if wholesaler businesses who weren't part of ARS start to partner with rival businesses and offer more lucrative discounts on fixed price sales for members, or major point boosts for shopping specific items.

First-Order Swot Analysis

Strength:
- From being isolated on an app, OzClub can also be integrated with bank company cards, doing so can redeem/reward and pay at the same time for added convenience.
- Perhaps during the initial signup, as a thankyou there can be a 10% offer on the first purchase, or bonus credit that can be converted.
- Similar products from previous purchases can also be featured as an alternative if a specific item is out of stock or has a standard fixed sale price.

Weakness:
- As an improvement, the ARS can enter into the grocery market to capture the majority of physical and online shoppers.
- Look at external sources for automated status software to reduce manual labour monitoring.
- Offer physical member cards or even key-ring lanyard cards. Physical mail (envelopes) are also another alternative.

Opportunity:
- Partnering with more businesses decreases local competition and keeps the head market stable.
- Use of data tracking enables the ARS to understand consumer behaviour, what they like, dislike, geographic, preferences, etc.
- Consumers feel what they're using is valuable and efficient.

Threat:
- Partner with as many businesses that will benefit the ARS and it's supporting retailers, but also capping the number of partnerships to ensure maximised profit and growth in all sectors.
- To beat global brands, decreasing fixed item pricing may be an option as items are more local, with cheaper delivery alternatives rather than overseas shipping.
- Weekly or daily personalised offers are introduced, offering more redemption points, one time only discounts, etc.

Second-Order Swot Analysis:

Strengths–Opportunities: To reduce operating and selling costs, partnerships with additional retailers, wholesalers and even manufacturers will help compete with growing major brands like Amazon and Alibaba.

Weaknesses-Opportunities: Increasing customer focus will help retain consumers, especially when the initial program does not offer any grocery integrations.

Strengths-Threats: Again, partnering with non-rival retailers helps strengthen growth, and can direct customer traffic to ARS businesses. Major businesses do not have these sorts of group partnerships except with shipping companies.

Weaknesses-Threats: Standardise member benefits such as points and even pricing across all retail sectors within the ARS to decrease consumer confusion, lessening the likelihood of visiting a competitor.

Conclusions:
- For a long-term goal, the ARS must head towards the grocery sector in order to stay competitive, especially when the likes of Costco and Lidle are entering the market.
- Partnering with manufacturers will reduce overall cost, enticing consumers.
- Partnering with relevant but a limited number of retailers creates stability, and a steady growth increase.
- Integrate the app into bank company card options.
- Create one-time offers such as bonus conversion points, better discount percentages, etc.

Competitive Analysis: Introduction
There are three main points highlighted in each competitive sector, with one of them being customer retention. Conversational tools within messenger, customer-friendly feeds and use of hashtags are just a handful of factors that major businesses such as Amazon use in order to retain their customers and convert them into being loyal shoppers. Secondly, the use of social media, particularly popular apps such as Twitter, Instagram and Facebook are highly used. Lastly, customer data plays a key factor in the competitive retail sectors, particularly from the Flybuys perspective. Customer data can be used to help personalise offers, enable automated orders/replenishment for home delivery, and place them in specific sectors so that each unique member can find benefits/rewards that suits them. OzClub aims to identify these key factors and will implement these features and improvements/alternatives to suit the ARS's needs.

Competitive Analysis: Amazon

Case Study on Social Media Marketing: Amazon

In terms of social marketing, 'Amazon Prime' of online-shopping platform Amazon makes uses of diverse features in social platforms to do brand promotions. While we haven't had specific contents about what to advertise in similar platforms, Amazon's top-notch loyalty strategy is worth researching. (Brand Keys, 2018)

1. Internal Operation (professionally-generated content production)

While in normal operation, Amazon uses **Twitter**, **Instagram** and **Facebook** to promote discount code and new member services. For instance, customers could enjoy deals through clicking on **hashtags, links** to access service page of Prime Fresh. Customers could also get flash deals by reading **stories** on **SnapChat**. The click rates could also be valuable sources of customer data.

They retain followers by updating customer-friendly **feeds** like employee's selfies during offline marketing events. Similar to our initiative, they use **conversational tools** @AmazonHelp and Messenger to directly address individual problems.

Apart from that, they have a countdown of Prime Day with **hashtags** on these platforms (Amazon, 2018). It shows that common-purpose platforms could also be used to gain tension of followers. Followers could then easily spread their excitement for member-only discounts rapidly with comments including #PrimeDay, engaging in word of mouth. This will be useful when OzClub promotes annual celebrations.

Another unique way of Amazon promoting products is through **Pinterest**. Pinterest is a platform people look for purchasing ideas, and they use this to sell their products in packages directly. To illustrate, they post an image showing a small and clean home office, attached with Amazon **links** of items needed to decorate that office. This strategy catches customers' awareness with Pinterest's **idea-oriented nature**, attract them to consider by packaging products into a solution, and acquire them through direct links to purchase items, which make their consideration into action quickly. In other words, it makes stages of customers journey more convenient. Therefore, Amazon's **promotion pins** on Pinterest acts like an online buyer's guide, but with more efficient access to our customer segments.

For increasing the company's operation transparency, they use **YouTube** channel "Inside Amazon" to **video** the daily operation and work life of employees (Amazon, 2012). This could ground customers' trust in their corporate responsibility.

2. External Operation (user-generated content production)

Not only do they have channels to engage in content marketing, they also invite social media users and celebrities to lead user-generated content production. The **Amazon Influencers program** is specialized in gathering social media stars by monetarizing their content.

YouTube famous comedy duo <u>Rhett and Link</u> shared their experience of using Alexas on both their and the <u>"Amazon Echo"</u> channel (McLaughlin & Neal, 2016). They mainly use product placement with promotion links in description and verbal recommendation to sell that item.

Utilizing unique features of different channels is vital for building our initiative. However, current company's resources could limit extent of social media marketing. For instance, employee wages of social content marketers could add burdens to the cost structure if the response on platforms is not very active. Thus, we should engage in less-risky common-purpose platforms in the beginning and extend to other channels in long term.

Competitive Analysis: Qantas

Case Study on Customer Data and Retention: Qantas

Qantas Airways Limited is Australia's national carrier and operates international and domestic air transportation services, freight services and loyalty programs (IBISWorld, 2018). Qantas's frequent flyer program is one of the most successful loyalty programs in Australia, with around 12 million members of the program and who earned a total of 120 billion points in 2017 (Clarke, 2018). Furthermore, Qantas is a clear example of effectively using and collecting customer data to retain existing customers. In addition, with over 200 partners, which include supermarkets, banks and insurance companies, Qantas's frequent flyer program is quickly expanding and generating significant revenue for the company, with total profit of $400 million in a year (Clarke, 2018).

Qantas's frequent flyer program allows customers to collect points from flying to booking a hotel and also, from everyday activities such as shopping, insurance and banking (Qantas, 2018). In addition, once customers have gained a certain amount of points, rewards can be redeemed, such as using your collected points to purchase flights or paying for hotels and travel insurance. Moreover, as more Qantas points are collected, the customer will be upgraded to a different tier (bronze, silver, gold, platinum) and more benefits will be given the higher the tier is. Furthermore, as Qantas has many partners, this improves the number of consumers, which uses their loyalty program and hence, adds value co-creation. As Qantas's loyalty program and partner network continues to grow, their loyalty program is being referred to as a "coalition loyalty program" which enables consumers to be able to engage in the program in multiple ways, which generates revenue for Qantas and for their partners (Gardiner, 2015). Moreover, Qantas started introducing new businesses, such as the Qantas pre-paid travel card, which was introduced in 2013 as a partnership between Qantas and major banks (Gardiner, 2015). From this initiative, Qantas realised that the more engaged they got consumers, the more likely they were to engage with all partners (Gardiner, 2015).

The key to Qantas's successful loyalty program is through understanding customer needs and using data and technology to fulfil those needs (Colwyn, 2013). By using customer data, Qantas can provide exceptional, loyalty-building service (Reddy, 2015). Qantas's social media team manages Qantas's various social media channels (e.g. Facebook, Instagram, Twitter, among others) and responds to customers' enquiries. Moreover, they also monitor customer behaviours and online comments, offering real time responses and building one-to-one relationships with customers (Reddy, 2015). In addition, Qantas employs various companies to help manage customer data. Red Planet is a "customer-insights and marketing business that leverages nearly 30 years of experience from Qantas Frequent Flyer in order to help organisations better understand their customers and engage with them" (Qantas Loyalty, n.d.). From this initiative, which asks customers to share data and complete surveys, Qantas rewards customers with points (Mason, 2016; Reddy, 2015). Additionally, Qantas generates the most revenue from selling air miles to their partners, from credit-card operators to supermarkets. Partners buy Qantas points to reward their own customers for their loyalty (Whitley, 2017).

For our customer loyalty program (OzClub), we will endeavour to maximise the number of partners in the future to ensure that we can reach a greater target audience. Asking other companies to join our loyalty program will only be adopted once OzClub is running smoothly to ensure that our businesses have competitive advantage. In addition, rewarding customers, with points, for completing surveys and sharing data will also be adopted. Employing digital technology companies will also be useful to help manage customer loyalty program and get better customer data and build relationships with customers.

Competitive Analysis: Flybuys

Case Study on Customer Data and Retention: Flybuys

Flybuy is an Australia's most popular loyalty program owned and operated by Wesfarmers. Flybuy designed to encourage regular customer spending by allowing the customer to tap their Flybuy card at the counter central for any household goods they purchase in return for Flybuy point and the point can be collected across all Flybuy partner store. Points gained depends on the number of household goods customers purchase. Furthermore, Flybuy points can be redeemed for household goods or converted into currency which can only be used to buy household goods or service from one of Flybuy participate retail Coles Supermarkets, Coles Express, Kmart, Liquorland, First Choice Liquor, Target, Target Country and Kmart Tyre & Auto Service stores. In the process, Flybuy collects data about customers' purchasing activities, a study from Oaic showed that "the data collected is used for a variety of purposes including targeted advertising and marketing" (Oaic, 2018).

Flybuy is exceptional at collecting customer data by providing number of channels for Individuals to sign up, "including online; obtaining a hard copy form in-store; obtaining a

'mini' in-store sign up (ISU) card and activating the card online; calling the Flybuy's service centre or when purchasing Coles Financial Services products, such as insurance, credit cards or prepaid cards" (Oaic, 2018). In the process of registration, if for some reason customer doesn't want to fully register with Flybuy yet, customer have the ability to start collecting point for any purchase they make by simply scanning their Flybuy card during checkout. For online registration, customer request fills out personal detail such as age, gender, address, email, and phone number. After the customer has successfully completed registration form, the customer is prompt with the option to fill out a survey asking a direct personal question like, how many people, including you, live in your household, how many cars are in your household. If customer doesn't answer to all questions, Flybuy will still register the user, however, some function will be disabled for the user until the user has completely answered all the questions. The questions are designed to help Flybuy to identify customers as accurately as possible. With the recorded data that Flybuy gains from consumers, they can form a profile of customer to group them in a specific customer segment with similar shopping behaviour, interest, to promote them with the most accurate goods and services that best interest them. Therefore, OzClub program will endeavour to adopt the Flybuy technique in collecting customer data, as Flybuy used different methods that best fit with different generation groups to easily signup and doesn't force any individual customer to give up all their personal detail but only some of the details that they feel most comfortable to disclose.

According to Oaic website Flybuy is "using personal information, … to improve our understanding of your interests, suitability, and behaviour in relation to products, services, and offers…" (Oaic, 2018). This means Flybuy carefully analyses the data to identify purchasing patterns of an individual with the aim to predict customer wants or needs before customer even realises and delivers them with the best possible offer. For example, a customer who bought new car tires from Auto Parts might need to service their car in a few weeks' time. A transaction like this can trigger the loyalty program, like Flybuy, to predict customers next move and offer goods or services from one of their retail partners like Auto Service stores.

OzClub program decided to give individual customers the option to link their social media account to OzClub app and Facebook page, giving individual customers a faster way to register. As every Facebook page has insight features, based on Facebook website "it provides information about your audience's demographic data, such as age, gender, and location", giving OzClub the advantage to collect enough individual information to analyse to help build individual profile, helping organisations to understand how individuals are engaging with OzClub Page and learn which posts have the most engagement and why. On the other hand, individual customers can engage or interact with any feature from the OzClub app or have a conversation with one of OzClub support group regarding any issues with no hold time, at the same time OzClub can seek to leverage from social media to improve services and communication with individual customers.

Competitive Analysis: Conclusion

Overall, the immense success of Amazon Prime, Flybuy's and Qantas frequent flyers program has provided meaningful insights to develop OzClub's digital marketing plan. For instance, easy registry and partnering with diverse industry of companies could retend reaching pathways to our customers. Through incentivized survey and adopting point-and-tier loyalty systems, OzClub could get the most information from customers with different levels of loyalty for analytics. Lastly, we could gain brand awareness with different features of social media and by holding influencer program.

Digital Marketing Plan

Plan

The loyalty program will utilise traditional digital marketing such as media (television and radio), even advanced marketing sectors, such as social media. Both will be additionally integrated with each other as promoted or sponsored advertisements on popular social apps.

Multi & omni channels:

- In-store
- Online catalogue
- Media commercials.
- Ads via social networks such as Facebook video & YouTube.
- Static (sponsored posts) ads on social media

Before the program is established, the use of in-store promotion is the first point of interest or even sale to convert regular consumers into members, as most traffic comes from physical stores. Externally, sophisticated integrations such as Google analytics and Facebook Pixel will help track what current customer behaviors are when being reached from the ARS. The resulted findings will help how the app will be designed/integrated, and what most consumers are enticed to look for.

Figure 2: OzClub's Customer Journey Map
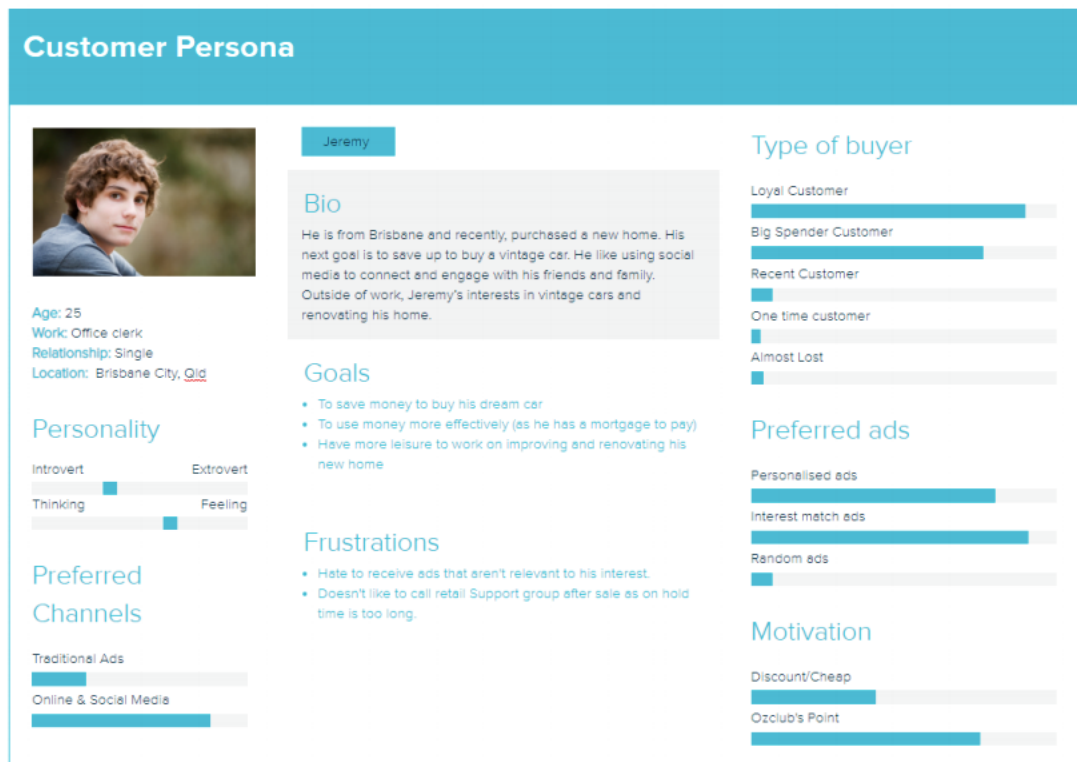
Figure 3: Customer Persona (Jeremy)

Digital channels

- Social media marketing
- Email marketing
- Online website
- Loyalty App

Offline channel: Magazine/Catalogue, Physical card

Target (metrics, KPIs)

Reach

Opportunity

To be able to reach all relevant target audiences, the following strategies will be implemented:

- In-store shoppers, online
- Value per visit
- Fans/followers on social media
- Facebook ad manager
- Instagram
- Google AdWords (Google, YouTube, etc).
- Cost per click (engagement)
- Facebook Pixel
- Google Analytics
- Hotjar
- KPI analytics – Social media/traffic sources, engagement on site, page conversions (Goulart, 2017)

Strategy

Social media promoting such as Facebook ad manager supports specific target audience marketing to ensure the right sectors are reached, and fully utilise cost per clicks on relevant consumers (rather than wasting CPC on web surfers who are unlikely to be interested in the promotion. With the use of Facebook Pixel and Google analytics, consumer activity can be fully analysed to help reduce the overall promotional costs, and pinpoint which advertisement have full audience engagement/reach or those that do not.

Action

Integrating Facebook ad manager with Pixel will help produce key KPI's from targeted audiences. This process will enhance overall promotion and branding and reduce excess costs regarding untargeted click rates. These will make social media posts more relevant and more consistent.

Optimization enables:

- Review running ads on social platforms
- Set up budgets for cost per click (CPC)
- Target promotions on most visited sites by the user

Act

Specific key measures to monitor:
- Leads/lead conversion rate
- Time on app
- Shares/comments/likes
- Google Analytics tools will be used to see:
  - Who has registered
  - Which specific loyalty program of a business they have chosen
  - Track the number of people using the app

After a customer visits a physical store, employees will offer a loyalty card to customers and scan the card to ensure that they will earn points for their current purchase. In addition, employees will let the customer know the simple process of downloading the app and registering. Other channels to reach customers is through e-newsletters and online catalogues, which will advertise the loyalty program and the benefits with joining. From the e-newsletter, clicking on the advertisement will direct the customer to download the app. A major strategy to ensure that consumers will download and register the app instead of looking at other competitors, will be through social media:

For day-to-day operations:
- We promote weekly discounts and deals by posting on Facebook and Twitter with visual contents, hashtags and links to the promotion page
- We post bi-monthly video on YouTube interviewing our retailers and employees to promote corporate responsibility and transparency
- Celebrate anniversary of OzClub program by doubling the points earned by customers on that day

For targeted campaigns:
- We will post countdown posts everyday a week before the campaign, to make sure we have accumulated enough momentum within the community.

Through email marketing:
- We send discount code of daily flash deals to remind them to purchase our products (users of gmail can choose to block it, so daily promotion it's not annoying)
- We send them summary of their purchase history and personalised deals

Furthermore, to encourage customers (and potential partners) to take the next step and interact on the app and in social media to generate leads, OzClub will do the following:

When consumers are on the app:
- OzClub will encourage participation by showing a video of what the app is and its purpose
- The 3 businesses available for users to collect points and redeem points
- Offer 50 points when you register
- Offer 50 points when your friend registers (value co-creation)
- If you share content via social media then 100 points (entice customers with points when they enter into the app - and show them all the rewards on offer)
- Register for free
- Don't have to register yet, sign up for an e-newsletter

Once consumers have registered for a loyalty program (e.g. loyalty program of AutoMarket OzClub):

- Have a designated user page showing points earned already and how many points to collect until you reach the next tier (additional benefits) and how many points needed to collect your next reward
- Special promotions (once registered)
- Personalised discounts and specials (once registered - entice the customers to start purchasing)

Convert

(Measure metrics: Revenue per visit, heatmap data per page, average order value)
To maximise online sales and referrals in the app, OzClub app has been equipped with CRO approaches by building site/app conversion funnels and paths to purchase.

Awareness (From first page of the app-> Browse product page)

- **Easy sign-in with Google and Facebook:** Customers could choose to use their social media or Google account to register easily for limited features. To access the full feature, they should provide more personal details to finish the registration.
- **Interactive search functions:** Jeremy saw his dream car in the background of a magazine page, so he is struggling to find what brand and model it is. Fortunately, he can immediately find it by aiming his phone camera to the item in our app's visual search. The app also combine it with voice input to make browsing products more convenient
- **Deals and discounts:** there are app-exclusive monthly promotion and clearance products promotion banners in the app to incentivize people who want to save money.

Interest (Anytime e.g. functions located in the side navigation bar)

- **The "Starting New? " function**: In case they are new to a hobby, take Jeremy's home renovating hobby as an example, there is a feature which he can take a look at our articles or few pages of online magazines for buyer's guidelines. As a result, he can not only have more interest, but also put more trust in our brand.
- **"24/7 OzHelp" chat room:** online chat room provides technical and individual help.

Desire (Browse product page -> Product page)

- **Product reviewing feature:** Customers could rate and comment for how much do they like the items and service of that retailer. The statistics will convince other potential customers to buy them, which is more potential revenue in the future. Other than that, only letting customers with premium and gold (with silver and bronze under them) to critique on the items makes it more convincing as they have more shopping experiences.
- **Show recommended manuals under product descriptions and earn more points when bought as a package**

- **Product demonstration video:** this is to show to viewers how easy the product could be used.

Action (Product page-> purchase and after purchase)
- **In-app rewarded surveys:** it avails optional data collection from potential customers. The reward will be the latest promoted items, as it avails diversity in the survey results. In addition, all the questions are designed to identify loyal customers as accurately as possible.
- As first-time buyers in the app, **give twice of loyalty points if they shop in physical stores** of that Item

Other paths to purchase
- **Shoppable post/pins:** For instance, Instagram and Pinterest user Jeremy find an item from our posts or pins interesting. Instead of signing in to the app, he could just tap on the post, and be redirected to the selling page to do the purchase.

Engage
· Review customer loyalty using RFM analysis for interactions and sales

RFM analysis is a marketing technique used to determine quantitatively which customers are the most important ones by evaluating how recently a customer has purchased, how often they purchase, and how much they spend. The goal of conducting RFM is to fully and deeply understand each individual customer and place them into one of eleven customer segments: Champions, Loyal Customer, Potential Loyalist, Recent Customer, Promising, Customers Needing Attention, About to Sleep, At Risk, Can't Lose Them, Hibernating and Lost. Each customer segment performs different activities compare to others, for example, Champions segment defined customer like Jeremy, who bought recently and spend the most and Loyal Customers defined existing customer who spends good money with retail often and highly responsive to promote. The reason for grouping each individual customer like Jeremy into a customer segment is because business able to identify what type of customer he is and be able to reach out specifically to customers like him to target them with differentiated and personalized marketing strategies, with the aim to improve individual customer engagement and retention. For example, with the About to Sleep customer, OzClub can offer repeat purchases at a discount or run surveys to address their concerns before losing them to competitors. The same tactical decision can be used to others customer segment, but with a different approach, for Loyal Customer, Champions, OzClub can follow up with a few timely promotions as they have the highest rate of buying, including a promotion of new products to get initial traction and feedback, as they are likely to adopt to new products and to promote the brand.

· Customer Engagement plan
OzClub implement a review web, where all customer segments can create content on the goods they purchase or service they used, with the aim for others customer segment: especially About To Sleep segment to learn from. According to Moz "online reviews impact 67.7% of respondents' purchasing decisions" (Moz, 2015). The static shown that consumers are highly influenced by online reviews. Business on other hand can also keep an eye on any concerns raise or suggestion that could improve business, while also developing a closer relationship with individual customer by sending an automatic email if the review has been liked or individual customer has commented on the review. Any interaction toward review

from any existing customer, reviewer will be rewarded for the engagement with Flybuy point to encourage others, customer, to review goods and service with the hope for Flybuy point in return.

· Deliver personalized ads / online/ social

With all the transaction record gather from different customer segment, OzClub can use Google Analytic to predict what each individual customer segment might need or want in the future. Using Google Analytic, OzClub can reach out to customer like Jeremy by identifying where he live, this can be easily identified as the location is provided to OzClub in the process of signing up. OzClub can then bid on certain keywords that best match with business advertise, to best deliver personalized offer to Jeremy and others relevant customer like himself. Any time Jeremy or customer like Jeremy search on the internet that match with OzClub bid keyword, they will see the advertisement. Regarding of what devices Jeremy or his neighbor may use to search on, Google AdSense capable of delivering advertisement in many formats such a text: headline, a banner with image, video and much more. Continually delivering personalized advertisement to him in his most preferred ways of seeing.

On social media site, OzClub can use Facebook insight to target customer who already connected to business Facebook Page, along with using demographic overview, interest and lifestyle to filter customer personality and behavior, allowing business to target campaign to a specific segment that shows interest. The advertisement can deliver through Facebook feed, video or massager and if Jeremy shows any sign of engagement or interacts toward advertise, Facebook capable of capturing Jeremy profile, which can later be used to analyze, and retarget him with relevant campaign, delivering personalized advertise to him all the time bringing the experience for receiving ads much interesting.

Jeremy engagement with the advertisement, help OzClub truly know that their campaign had delivered to the right customer segment, which business can then retarget with a more relevant service or product through email, App, allowing business to redefine offer to best promote services or product to send personalized emails to reconnect, offer renewals, provide helpful resources.

Conclusion

Applying technology on data, customer analytics and social marketing , OzClub loyalty program aims to transform loyalty program within the ARS Group, from traditional marketing to digital marketing, to keep our service standard up to date. Nevertheless, there are still uncertainties about the direction of the program in long term. For instance, how are we going to safeguard data protection for customers, what kinds of data do customers think is ethical to be monetarized on and how to balance between commercial competition and corporate responsibility. These are the most worried problems that are worth discussing, when digital commercial technology is fast-growing and diverse.

With confidence, OzClub loyalty program is guaranteed to successfully bring up cohesion within a community built upon customers' and our mutual trust.

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Appendices

Appendix 1: PESTLE

Macro-environment factors (PESTEL – country characteristics)

Political	Australia is an independent nation within the Commonwealth of Nations and was established on January 1, 1901. Queen Elizabeth II has been the head of state since 1952 and has been represented by Governor-General Sir Peter Cosgrove since March 2014 (MarketLine, 2018). Australia is a democratic, federal state and has a bicameral parliament (MarketLine, 2018).
Economic	Australia has transformed itself from an inward-looking economy into an export-oriented economy. In the process, the government has initiated reforms to reduce tariff rates, remove the barriers to trade and facilitate the privatization of government enterprises (MarketLine, 2018). Australia is largely a services-driven economy, with the sector contributing almost 72.18% to the country's nominal GDP in 2017, according to MarketLine. The industrial and agricultural sectors account for the rest (MarketLine, 2018).
Social	Australia has a high literacy rate and a relatively small population, which has grown from about 17.07 million in 1990 to almost 24.57 million in 2017, according to MarketLine. Australia is one of the most urbanized countries in the world, as around 86% of the population lived in urban areas as of 2018, according to CIA – The World Factbook. The education and health sectors are well developed, which is reflected in a high literacy rate of 99% and high life expectancy of 82.3 years in 2017. The country also has a strong social welfare network, providing various facilities for the disabled, the unemployed, and pensioners (MarketLine, 2018).
Technological	The Australian government plays a very active role in the development of technology policies. However, the country's gross expenditure on R&D has remained below the OECD average and was less than other advanced countries such as the US and Japan (MarketLine, 2018).
Environmental	Australia is diverse in terms of its natural resources. Its main environmental concerns include dry land, salinity and scarce water resources, and climate change. Australia is expected to play an important role in developing a global carbon emissions trading system. Towards this end, it has implemented a carbon tax and adopted a domestic emissions trading system, effective from July 1, 2012. However, the incumbent government has repealed the tax, citing increased costs for businesses (MarketLine, 2018).
Legal	The legal scenario in Australia is characterized by a hierarchical judiciary with the High Court as its supreme body. This is followed by the state-level supreme courts, the Family Court, and the tribunals for administrative appeals. The government lays down legal polices in the broad areas of competition, trade practices, infrastructure, energy, and all other sectors of the economy (MarketLine, 2018).

Appendix 2: Porter's Five Forces

Potential entrants	Australian retailers are slowly losing control over online shopping behaviours with the introduction of major foreign businesses. For example, Amazon recently entered the Australian market as a cheap wholesaler buy alternative. Additionally, American giant Costco is a potential rival to the likes of Kmart, target, Big W, etc (Pash, 2018). Because of potential entrants, the ARS will have to partner with as many Australian retailers as it can to stay competitive and relevant.
Suppliers	Overall, Australia has numerous trade agreements with the United States and New Zealand with a focus among Asian countries such as Japan, China and Korea. Ten free trade agreements have been set in stone providing free flowing markets with minimal goods restrictions (Department of Foreign Affairs and Trade, 2018). If the pricing of goods are changed which do not favour the consumer, new markets can easily be explored which is ideal for the ARS for costs and profit to stay consistent.
Buyers	With major foreign business entering the Australian market, companies like Amazon have forced smaller retail Australian Giants like JB Hi FI to keep discounting items to stay competitive (Zhou, 2018). As good as it may seem, potential maximisation of revenue is reduced, so growth may be halted.
Substitutes	Online shopping has become a trend amongst Australian consumers, contributing 60% of the 3.7% of retail sales growth in the past year (Scutt, 2018). With more global retail giants cementing their spot on Australian shores, more traffic will be shifted toward cheaper retail alternatives like Amazon, Alibaba, or retailers that export the same product lines as ARS, but cheaper.
Industry competitors	Because of fellow entrants, the outcome will create industry competitors. Although rival retailers who are not part of ARS are natural competitors, the real competition lies beyond Australian shores. For example, Chinese company Alibaba recently opened its headquarters in Melbourne, resulting in more growth. A company which, like the ARS has everything under the one roof, is a lot cheaper than a retailer partnered with ARS. Amazon, Costco, anything wholesaler/warehouse based is a major competitor to the ARS (Power Retail, 2018).

Appendix 3: List of external factors (O and T)

List of external factors (opportunities/threats)
- Loyalty calculated with multi-purpose digital points
- Loyalty is still maintained by unstable customer taste
- Social media controls tremendous amount of public opinions
- Mobile shopping app allows transactions without geographical limits
- The rise of interactive technology (e.g. AR, VR)
- Social media has become more popular among different ages of customers
- Difficult entry of the Loyalty program competition due to customers' loyal
- Partnered businesses may find ways to exploit data from the app and use it for themselves to stand out
- Broader target audience
- Increase partnerships (forward vertical integration e.g. car dealing companies)
- Clearer customer focus for growth in long term
- New major entrants such as Amazon, Alibaba, eBay.
- Convenience
- Threats from competitors (e.g. Flybuys, Woolworth rewards etc.)
- New entry competitor (loyalty program) with more partners – Flybuys
- Other competitor loyalty programs offers much higher point or reward

Appendix 4: List of internal factors (S and W)

List of internal factors (strengths/weaknesses)
- Customer data (we have an established customer base, upgraded digital marketing capabilities, successful e-commerce) also know customer better
- 3 retail stores selling successfully with card
- Thorough service
- Loyalty calculated in measure of experience (encourage quantity of transaction)
- If the app crashes or stops working, only a small percentage of members will have a card
- All 3 ARS retail outlets can be reached at one destination
- ARS has partnered with wholesalers leading to cheaper fixed item pricing
- Limited to the 3 retail outlet types
- Grocery is not included, even though it is an everyday essential
- Constant engagement
- Growing partnerships
- Integration of loyalty program in one app
- Easy and free access to program
- Customised content
- Limited markets of customer
- Possibly high maintenance cost for app
- Some consumers prefer offline channel