

Keeping Customers

Successful Loyalty Through Analytics

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INTERNATIONAL
INSTITUTE FOR
ANALYTICS™



Executive Summary

The last decade has ushered in tremendous changes and challenges for businesses. Customers are more informed, they have more options, and they have higher expectations. What's more, with increased choices and access, they have become more fickle.

The rapid proliferation of customer loyalty programs is a clear indication that retaining current customers has become a high priority. Loyalty programs, both explicit (customer opt-in) and implicit¹, have burgeoned. These programs have sprung up in every consumer-related industry, from retail to restaurants, cruise lines to charge cards, with memberships in explicit programs topping 2.6 billion in the US in 2012.

But the increase in loyalty programs might be spawning unintended consequences. If loyalty programs are now the norm, customers begin to expect discounts and deals. They soon learn to wait for sales and specials, and their membership cards become a means for price-shopping rather than increasing their loyalty.

Recent research conducted by the International Institute for Analytics and sponsored by SAS Institute shows that many businesses are, indeed, struggling to create relevant and unique programs that promote true brand affinity, translating to repeat purchases. In fact, on average, self-reported effectiveness of loyalty programs is marginal, with an average of 6.5 out of 10.

While retaining the most valuable customers is the top priority of loyalty programs among the majority of companies, only 56 percent use a customer retention rate metric to measure loyalty program success, and just 27 percent calculate customer lifetime value. Additionally, only 54 percent of organizations surveyed said they were able to calculate the revenue impact of their customer loyalty initiatives. The research findings presented in this report show that the most successful customer loyalty programs¹ incorporate sophisticated techniques that include program personalization and advanced segmentation that leverage new and varied sources of data. There is a strong correlation between loyalty program effectiveness and the use of data and analytics to develop and measure loyalty program strategy. Highly effective programs are driven from the customer's perspective. They focus their efforts first on the customer experience—building brand affinity and ensuring customer satisfaction—before expecting customer loyalty. Simply put, companies with strong loyalty programs rely on customer analytics to drive their strategies and create measurable business impact.

About The Research

This research, commissioned by SAS® and performed by the International Institute for Analytics™ (IIA), sought to identify the tenets of customer loyalty strategies and to understand how organizations are using analytics to improve loyalty programs. In addition, the research assessed the effectiveness of various components of loyalty programs among businesses with revenue of \$50 million or higher in the United States.

Research findings are drawn from 325 survey respondents and are enriched by insights from in-depth interviews with enterprise marketing executives versed in customer loyalty. Survey respondents represent companies with a formal customer loyalty program or related initiative focusing on customer loyalty. All respondents are management level or above and are involved with or have knowledge of their organizations' customer loyalty programs. Respondents represent a range of industries and functional areas.

¹ Successful or highly effective loyalty programs in this research are defined as those that were rated by the survey respondents as a 9 or a 10 on a scale from 0 to 10, with 0 representing "not at all effective" and 10 representing "extremely effective."



1: The Proliferation and Priorities of Customer Loyalty Programs

Seemingly every business these days, from the local grocer to the national retailer to the online commerce website, has a loyalty program for its customers. The proliferation of rewards cards, mobile applications, frequent shopping accounts, and referral programs has taken hold in nearly every industry. The average consumer might be surprised at the number of explicit and implicit loyalty programs they belong to.

Proliferation

Evolving macroeconomic conditions are making it significantly harder for businesses to retain customers. Consumer tastes and behaviors are changing, channels of communication have moved online and into mobile, social and digital, challenging traditional approaches to cultivating brand loyalty and fueling price competition and other competitive pressures.

Today's customers tend to describe themselves as price sensitive and “unswayed” by brand names. In fact, in a recent consumer study by Ernst & Young, price had the biggest influence on customer choice, motivating them to switch brands. Another study revealed that only 25% of American consumers say their purchasing decisions are influenced by brand.ⁱⁱ

All this is taking place in an era of unprecedented availability and transparency of information. Today, consumers can access detailed pricing and product information, along with product reviews, allowing for easy comparison shopping. To combat high rates of defection and brand switching, businesses have increasingly turned to loyalty programs, both explicit (through customer sign up) and implicit.

Generally speaking, customer loyalty programs are structured business initiatives that reward and promote repeat buying behavior from existing customers. Popularized in the 19th century with the introduction of premiums and later the Blue Stamp Trading System, loyalty programs typically operate on the assumption that retaining customers is more profitable than acquiring new customers. While loyalty programs have certainly progressed from saving stamps redeemable for merchandise, the basic intent has remained the same.

In absolute terms, membership-based loyalty programs have never been more prevalent in the United States. One recent measurement by Colloquy revealed there are 2.65 billion loyalty program memberships in the US with enrollment growing at 26.7 percent over the previous two yearsⁱⁱⁱ. A separate study by Maritz cites the typical household as having 21.9 loyalty program memberships, with the average person belonging to 7.4 unique programs.^{iv} These figures do not take into account the high number of implicit programs businesses execute behind the scenes. Our survey shows that, among companies that have loyalty initiatives, over half of the companies surveyed (56 percent) have explicit loyalty programs, which require customers to actively sign up for membership, while the remaining 44% run implicit programs.

One reason for the surge in loyalty programs is evident: Consumers want them. Recent consumer behavior studies back that up. Forrester reports that 45% of consumers join loyalty programs. In another study by Nielsen, 84 percent of respondents said they were more likely to choose retailers that offered a loyalty program.^v Forrester further notes that 64% of consumers agree that loyalty programs influence where they make purchases, and 50% agree that loyalty programs influence what they buy.^{vi}

But the proliferation of loyalty programs—and customers' willingness to join them—may be diluting their intended effect. That same research report from Maritz reports that, despite an overall membership growth rate of 27 percent, active membership grew only 21 percent, and the percent of active memberships declined from 46% to 44% over two



years. Only 35 percent of members are engaged in all of the loyalty programs they belong to, and on average, people are active in 4.7 of the 7.4 programs to which they belong.^{vii}

This implies that loyalty programs are acquiring members, but leaving a significant portion of them unengaged. Perhaps these programs are failing “to strike a chord with members.”

The decline in the percentage of active loyalty program memberships could also be a function of loyalty card overload. Consumers often sign up for cards at the point of check-out because it's easy and they may get instant discounts. Given that consumers are members of multiple programs—often in the same category—it's no wonder that some cards lie dormant in their wallets.

Priorities

There is no question that retaining customers is vital to business. Conventional wisdom tells us that it is easier (and cheaper) to sell to a current customer than to acquire a new one. According to Forrester, 58% of loyalty marketers view customer loyalty as one of their top three strategic priorities.^{viii}

Participants in our survey were asked to identify the top three priorities for their customer loyalty initiatives. Three key themes emerged, shedding light on the variety of goals that businesses have for their loyalty programs.

What are the top three priorities of your customer loyalty initiative?

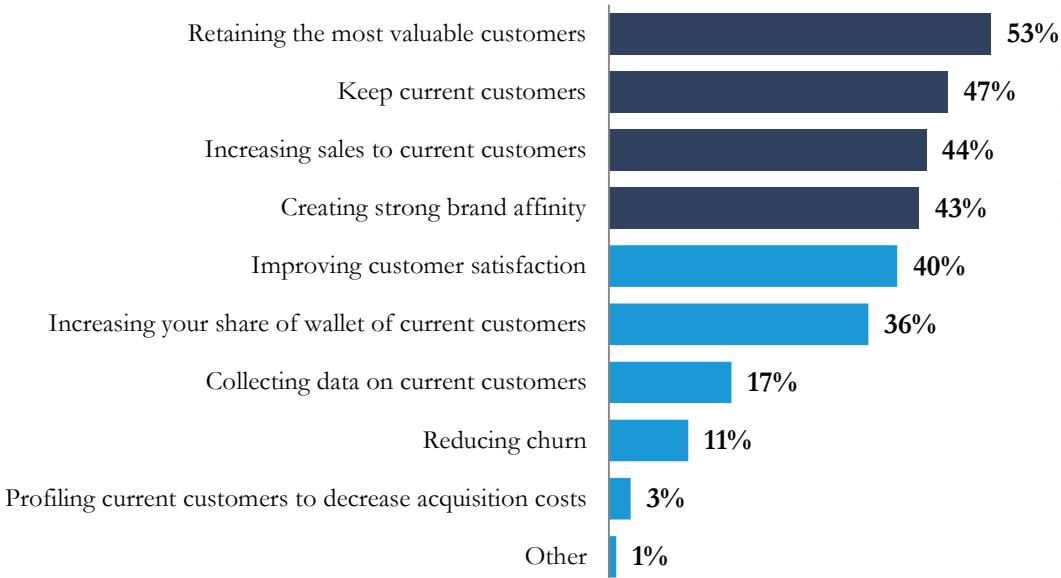


Figure 1

Priority one: Retaining customers

Customer retention is the overall priority for most loyalty programs. Top on the list of priorities for loyalty programs among businesses is retaining the *most valuable* customers (53%), followed by keeping current customers (47%). Combined, 81% of the respondents cited one or both of these as a top priority, confirming a strong intended focus on retention among loyalty programs.

Businesses emphasizing retention of their most valued customers recognize that retaining a customer at all costs might not be the best strategy. Clearly, not all customers are created equal. Of note, financial services and hospitality businesses in our survey are more focused on retaining their highest value customers than respondents in other industries.

Priority two: Increasing sales to current customers

Increasing sales to existing customers is a top priority for more than four in ten businesses. This focus carries an “implied” retention element, which reinforces the first priority. The underlying notion is: “These customers will buy from us again, and when they do, we want them to spend more money.” This is the top priority for retailers/wholesalers (59%) who are much less concerned about retaining their most valuable customers (37%).

Priority three: Creating strong brand affinity

Creating strong brand affinity rounds out the themes of the top priorities for loyalty programs. It’s interesting to note that brand affinity creation seems like an “afterthought” to customer retention rather than a prelude that would lead to customer retention as an outcome. However, in the leisure and hospitality industry, loyalty programs are much more focused on creating brand affinity (61% versus 37% for other industries). In fact, it’s second on their list after retaining the most valuable customers.

What are the top three priorities of your customer loyalty initiative?

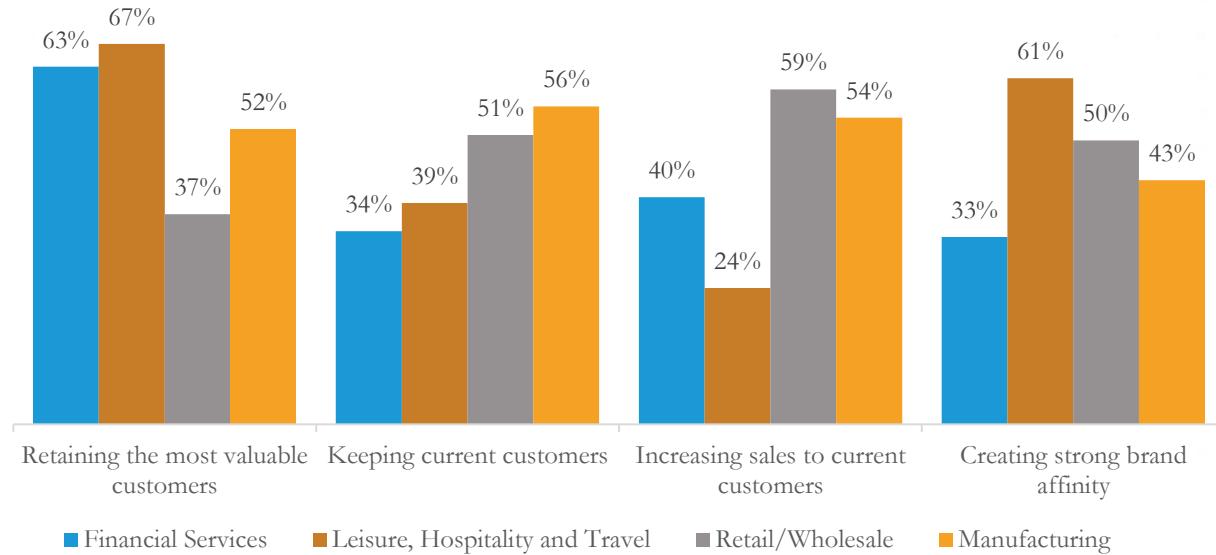


Figure 1a



As customers are now showing signs of loyalty program saturation, coupled with waning levels of engagement in the programs they do belong to, firms are increasingly struggling to meet the retention and brand goals they have set for their programs. Simply having a loyalty program no longer separates a firm from its competition. Now, firms must continually innovate around program features, permissible communication channels, and measurement to create programs that are differentiated in customers' minds.

As our research findings will show in the next section, differentiating is no easy task.

2: The Challenges of Building a Winning Loyalty Program

Businesses in our survey estimated that an average of 71% of their revenue comes from repeat or current customers. With so much business riding on customer retention, it still remains tough for organizations to build loyalty programs that truly excel. Survey respondents gave themselves somewhat marginal marks on their loyalty program effectiveness, scoring themselves an average of 6.5 out of 10. Most (73 percent) gave themselves passing grades (a 6 or above out of 10) for their efforts, but just 16 percent are willing to give themselves top scores (9 or 10 out of 10) in overall loyalty program effectiveness.

Q How would you rate the overall effectiveness of your organization's customer loyalty initiative?

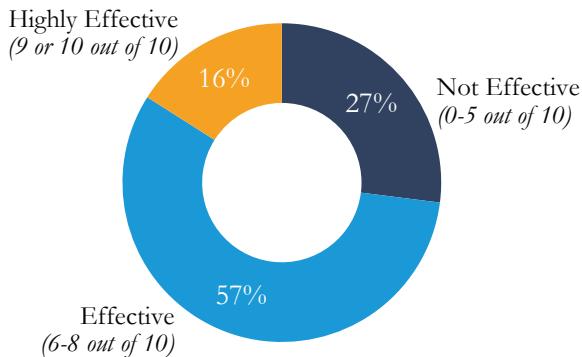


Figure 2

The proliferation of loyalty programs and the more informed, less loyal customer clearly pose challenges to organizations in designing programs that meet their goals. Survey respondents report difficulty across four key areas.

Q What are the top three challenges of your customer loyalty initiative?

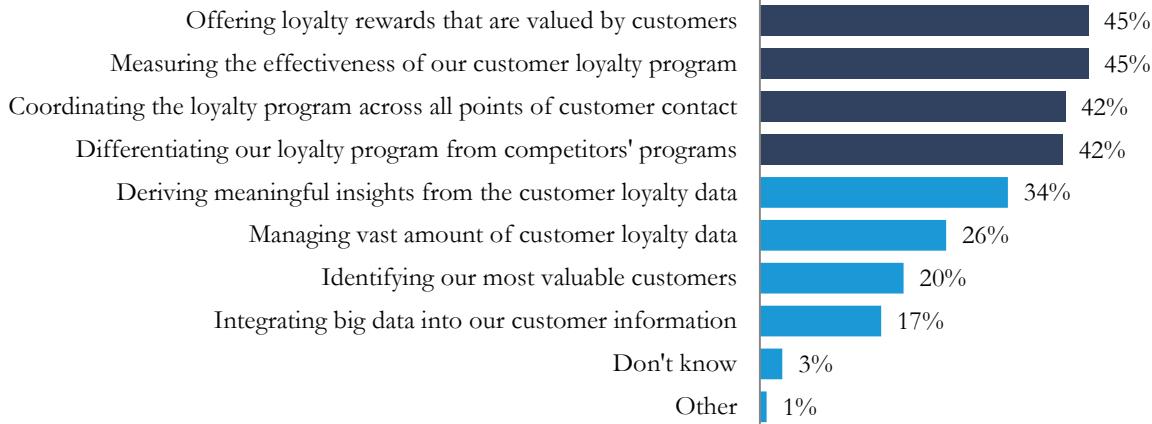


Figure 3



Challenge One: Offering rewards that customers value

It appears that programs are failing to capture the hearts and minds of many customers, as evidenced by increasing proportions of inactive loyalty program members. The top challenge identified as offering rewards that customers value reinforces that finding. It's also logical because there's little reason for customers to take advantage of program benefits if they don't see the "benefit." The more valued and relevant the reward is to the customer, the more likely the individual is to use it, and to engage in repeat purchases — thus becoming an "active" member. Yet, offering loyalty rewards that customers truly value is easier said than done.

To be successful in this pursuit, companies need to be skilled in collecting relevant customer information, analyzing it, and tailoring their offerings to fit the individual customer. If program benefits are virtually the same for anyone who is a member of a loyalty program — a shotgun approach — it's no wonder that there is such a high level of disengagement.

A root cause of that disengagement is suggested by the respondents' indicating they generally don't feel they are doing a particularly good job in understanding their customers and marketing to their needs. Respondents give themselves lukewarm ratings (6.8 out of 10) on both anticipating customer needs and tailoring marketing messages to individual needs and preferences. In addition, our survey respondents rate themselves 6.2 out of 10 on building predictive models to anticipate customer behavior and micro-targeting marketing campaigns.

In addition, companies struggling to offer valued rewards are less likely to segment their loyalty program members into groups (32% versus 49% of other companies). They are less likely to offer customer-specific offerings based on needs and preferences (39% versus 47%). They also use fewer sources of customer data available to them to better understand their target audience. And they are more heavily dependent on customer transaction data (79%) than any other sources, missing out on rich information that could help them identify what their customers value.

The data strongly suggests that underusing customer information and taking a generalized approach to developing loyalty rewards is associated with the inability to strike a chord with a good portion of program members.

Challenge Two: Measuring program effectiveness

Despite making large yearly investments in loyalty programs, the findings show that many businesses don't have a handle on their effectiveness. Forty-five percent of our survey respondents cite measuring program effectiveness as a top challenge. That leaves a lot of uncertainty around such a strategic issue.

Part of the problem is that there is little agreement on what the go-to metric is for customer loyalty initiatives. Customer retention rate and customer satisfaction are the two primary metrics used, but only by slightly more than half of our respondents. A significant number of organizations use a second tier of metrics that includes average customer purchase, loyalty campaign response rates, share of customer wallet, and customer lifetime value.

Q What metrics do you use to measure the success for your customer loyalty initiative?

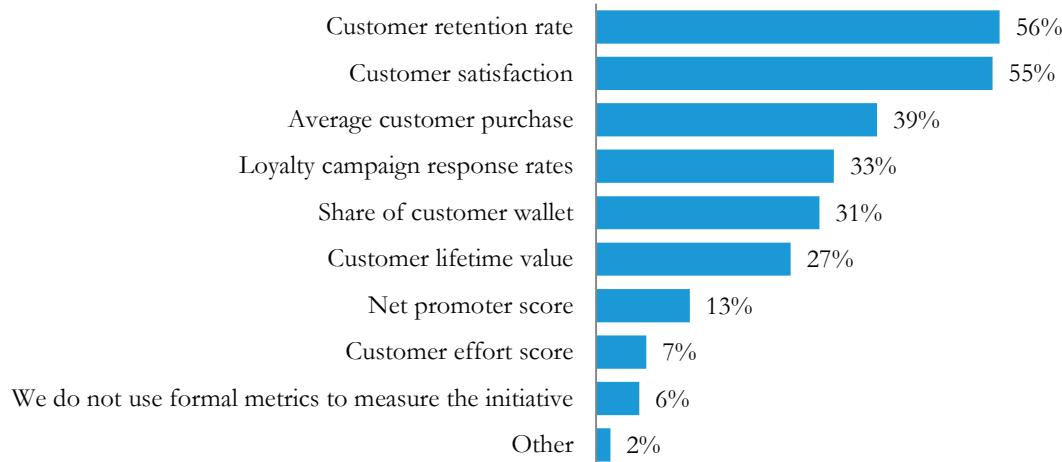


Figure 4

Measuring the financial impact of loyalty programs is also elusive. Only 54% of survey respondents indicated that they are able to determine the revenue impact of their programs. Many companies might be surprised to find that increased spend on loyalty programs is not necessarily translating into higher growth rates, as reported in a recent study by McKinsey.^{ix} While loyalty initiatives might improve customer retention rates and bump up customer satisfaction, program benefits could actually be hurting the bottom line.

Q Is your organization able to calculate the revenue impact of your customer loyalty initiative?

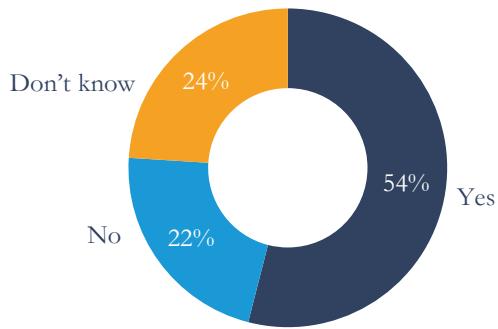


Figure 5

Challenge Three: Program differentiation

Given the rising number of customer loyalty programs in the market, it comes as little surprise that companies struggle to differentiate their loyalty programs from competitors. Over four in ten (42 percent) cite this as one of their top three loyalty program challenges. Only 37 percent of respondents believe that their customer loyalty program is



distinctly different from competitors' programs, and respondents give themselves a rating of 6.9 out of 10 on effectiveness of defending their customer base against competitors.

Based on the survey, we see some distinct differences in the loyalty offerings of respondents who feel their programs are differentiated versus those who do not. First, the breadth of the programs differs. Those who believe their programs are differentiated offer an average of 4.3 benefits versus 3.4 among undifferentiated programs.

Programs that stand out from the competition are more likely to focus on member points or rewards, while the top benefit among parity programs is exclusive sales or discounts. This reinforces the notion that many loyalty programs drive their members to shop on price, or to delay purchases until there is a discount or sale. By contrast, the competitively unique programs combine a number of program components to build loyalty. In fact, **creating strong brand affinity** is the number one priority of these differentiated programs, which is fourth on the agenda of less unique programs. This is quite a significant difference in the way these organizations are approaching loyalty: **Build affinity first and retention will follow.**

Q Which of the following are components of your customer loyalty initiative?

Select all that apply.

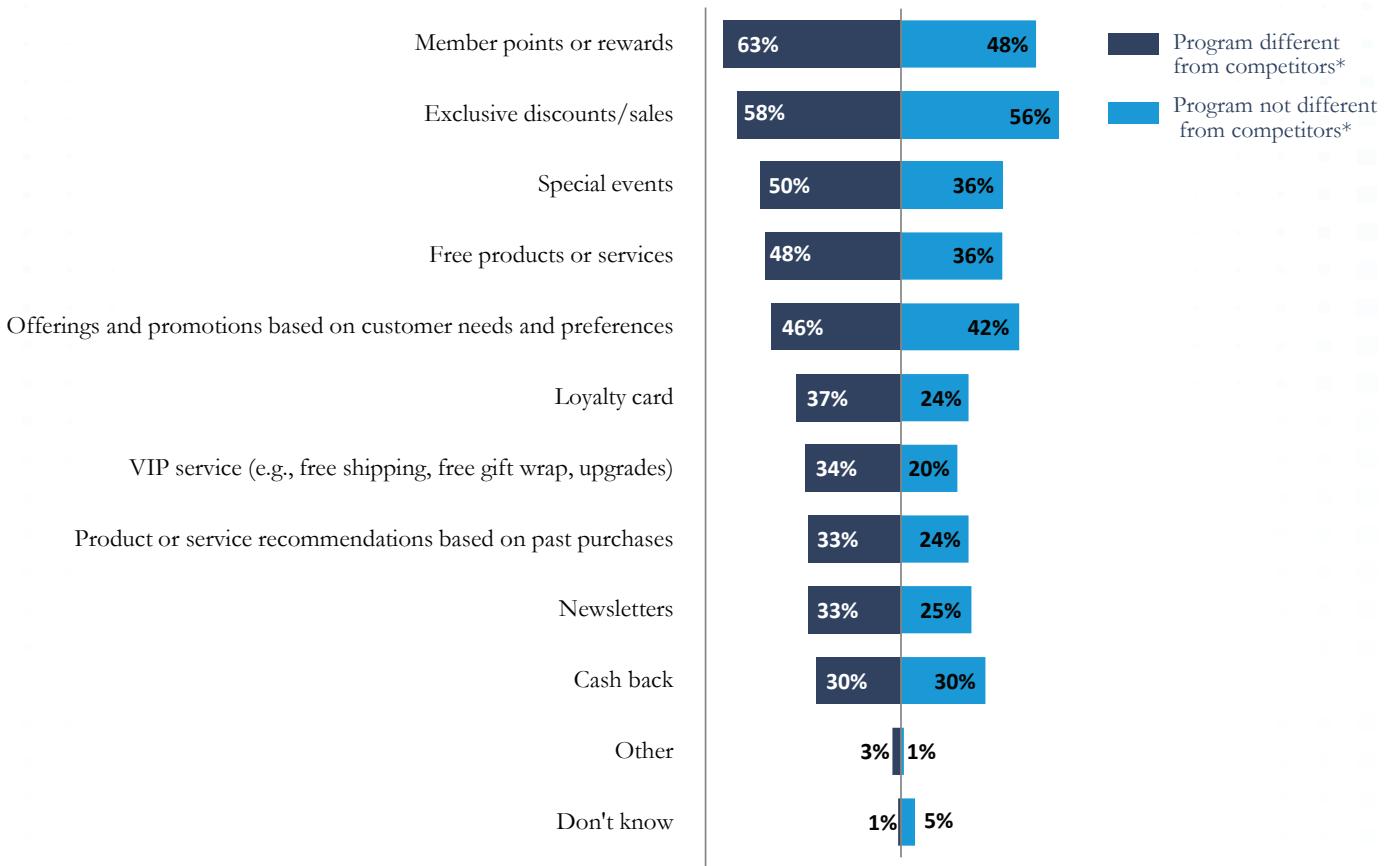


Figure 6

*Based on agreement to statement: "Our customer loyalty program is distinctly different from competitors' programs"

Challenge Four: Coordination across all points of customer contact

The businesses that took part in our survey offer customers a variety of channels through which to purchase goods or services. While the vast majority sell through brick & mortar and traditional websites, over eight in ten companies (84%) offer their goods and services through three or more channels. Couple this with the myriad ways customers and companies can interact these days—including social media and other digital platforms—it is understandable that 42 percent of our respondents identified “coordinating the loyalty program across all points of customer contact” as a top challenge.

Q Through which of the following channels are your organization's products or services sold?

Select all that apply.

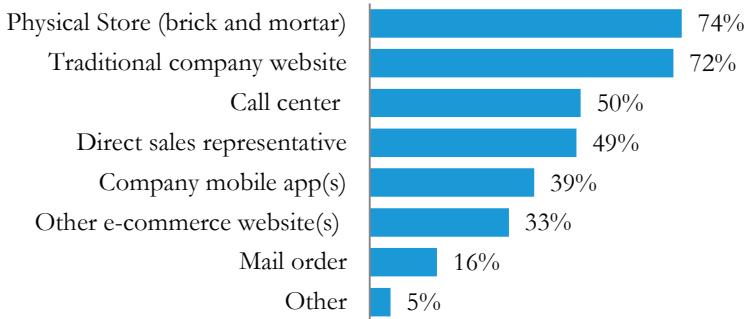


Figure 7

The average company sells its goods and services through three or more channels

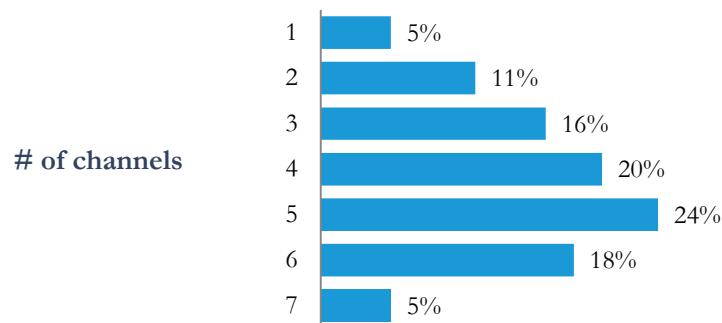


Figure 8

In addition to multiple sales channels, 70 percent of the companies surveyed have a corporate presence on social media, with 58 percent actively monitoring social media posts about their organizations.

On a scale from 1 to 10, participants on average rated themselves a 7.3 for communicating with customers using their preferred channels, and a 7 when it comes to engaging customers outside of the point of sale. However, the participants gave themselves an average score of 6.6 for integrating customer information across all touch points and channels, and a 6.2 for creating a unified or 360 degree view of their customers.



This challenge points to common operational problems. Data and information silos block organizations from developing the customer-centric programs that meet the expectations customers now have for dealing with brands across multiple channels. Coordinating a loyalty program across all points of customer contact requires communication across functional departments, often in real or near-real time.

3: Lessons from effective loyalty programs

Organizations that view their loyalty program as “extremely effective” (rate their program 9 or 10 on a 10 point scale) demonstrate several best practices that offer improvement opportunities for those with less effective programs. Overall, these organizations demonstrate a greater commitment to the program, engage more deeply with their customers, and are savvier with the types of rewards they offer. Moreover, they are more likely to utilize data analytics to help them keep current with customer needs and attitudes.

There are **5 Key Differentiators** that set these effective programs apart from the rest:

1. Dedicated customer loyalty function/department to manage their program
2. Greater emphasis on the customer experience as a key goal of the program
3. Rewards that are personalized for different customers
4. Social media leveraged to manage their relationships with their customers
5. Data analytics valued and used as a core program component

In the following section, we investigate each of these differentiators in turn.

Dedicated customer loyalty function or department

Those with the most effective programs are significantly more likely to have a dedicated department or team (80%, versus just one-half of those who rate their program as largely ineffective).

% of companies that have a dedicated customer loyalty function or department

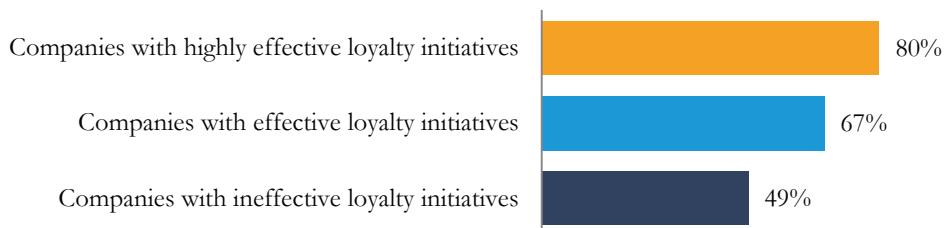


Figure 9

Greater emphasis on the customer experience

While retention of customers (including those most valuable) is generally the goal of any loyalty program, it shouldn't necessarily be the top priority of the program. The top two goals among those with highly effective programs are less focused on retention (an inward-facing goal) and are *more focused on the customer experience: namely, creating strong brand affinity and improving customer satisfaction.*

What are the top three priorities of your customer loyalty initiative?

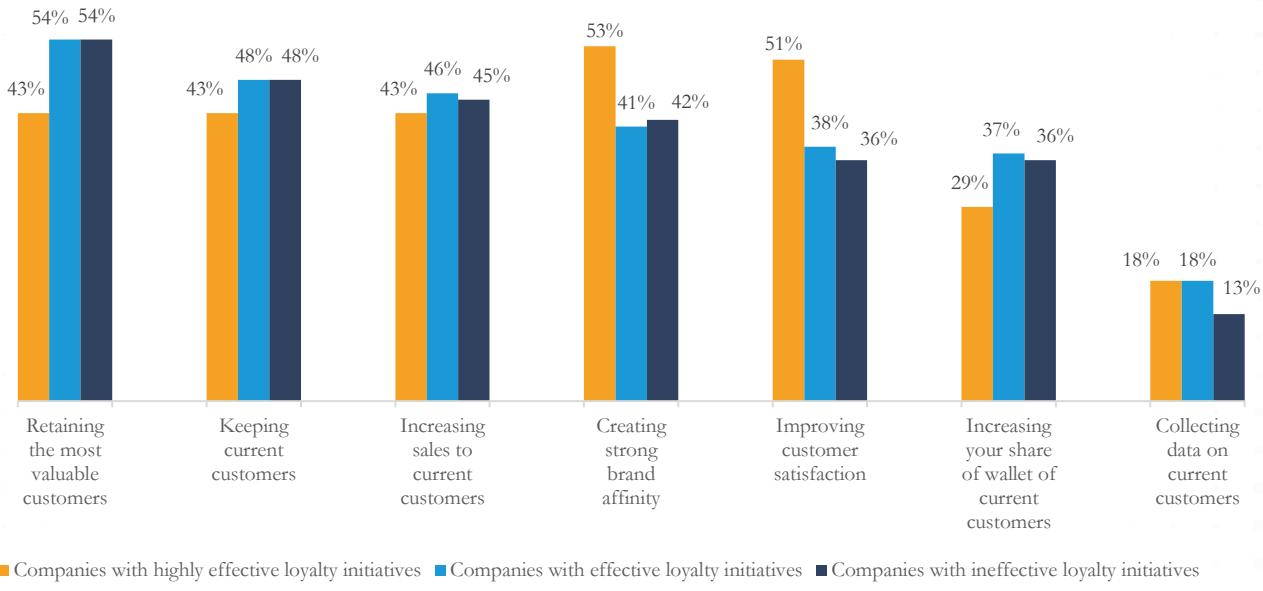


Figure 10

These organizations are also far more likely to have specific initiatives or programs that are focused on managing and improving the overall **customer experience** (i.e., engagement with the customer from before the sale throughout the customer lifecycle). Not surprising, given that the top priorities of their loyalty programs are building brand affinity and improving the satisfaction of their customers.



% of companies that have specific initiatives or programs focused on managing and improving the overall customer experience

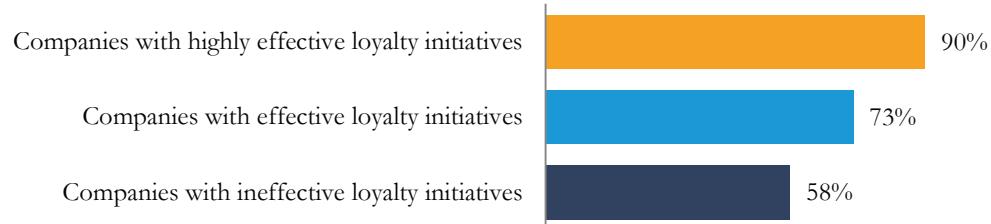


Figure 11

Furthermore, highly effective organizations with specific customer experience initiatives tend to have integrated these loyalty and experience programs together for maximum impact.

% of companies that have a customer experience program integrated with their customer loyalty program

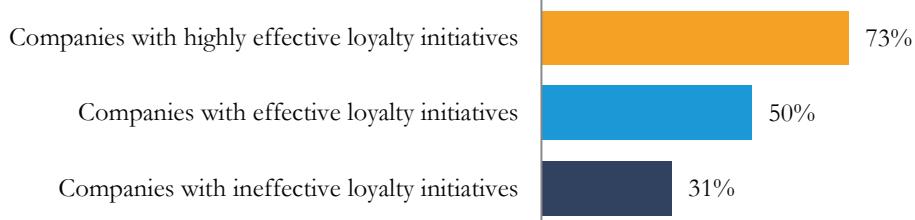


Figure 12

Based on respondents who have customer experience programs

Rewards that are personalized

Companies that rate their loyalty programs as highly effective typically personalize their program offers and benefits. Here, we found that those with (self-reported) highly effective programs offer a greater variety of program components, including items such as customer-specific offerings, VIP services, and personalized recommendations.

Additionally, they are more likely to host special events or provide free products/services to their loyalty program members.

Q Which of the following are components of your customer loyalty initiative?

Select all that apply.

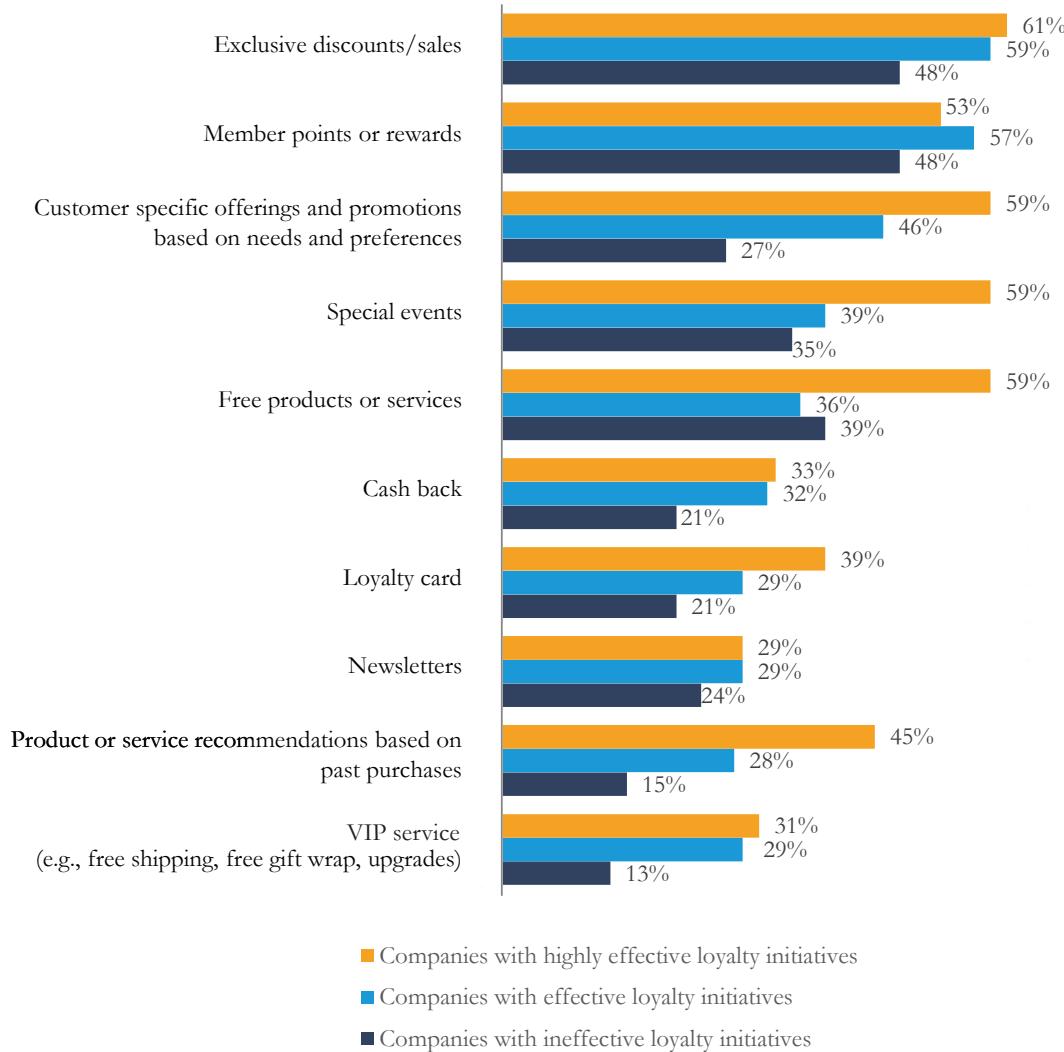


Figure 13

"Now, it's not good enough to just give [consumers] 4% back on their purchases if you don't also give them other forms of value," said [Scott Friesen, Director of Marketing Analytics and Customer Insights, Ulta Beauty](#). "At some point they are going to say 'You know what, I'm just going to stay more anonymous because I perceive more risk associated with this data collection.'"

"The future of loyalty programs is moving beyond just discounts to more convenience for consumers, which in turn makes them want to continually use that loyalty card," said [John Bastone, Executive Director for Retail Product Marketing, Catalina](#). "The challenge is having a consistent, personalized experience in the communication to the customer across the different touch points...how do you synchronize and coordinate those things in a way that ideally is consistent, personalized, but at the end of the day, drives sales."

Social media leveraged

Those with highly effective loyalty programs are more active with social media than those with ineffective or moderately effective programs. In particular, they are more likely to *follow up with individual customers* who post complaints, and *respond publicly to customer posts* on social media ... both of which demonstrate a greater prioritization on the part of the company to **focus on the customer first**, versus just pushing promotions or seeking competitive intelligence.

Interestingly, these organizations also are more likely to employ measurement and analytics on their social media data to further inform their programs.



In which of the following ways does your organization use social media as part of its loyalty initiative?

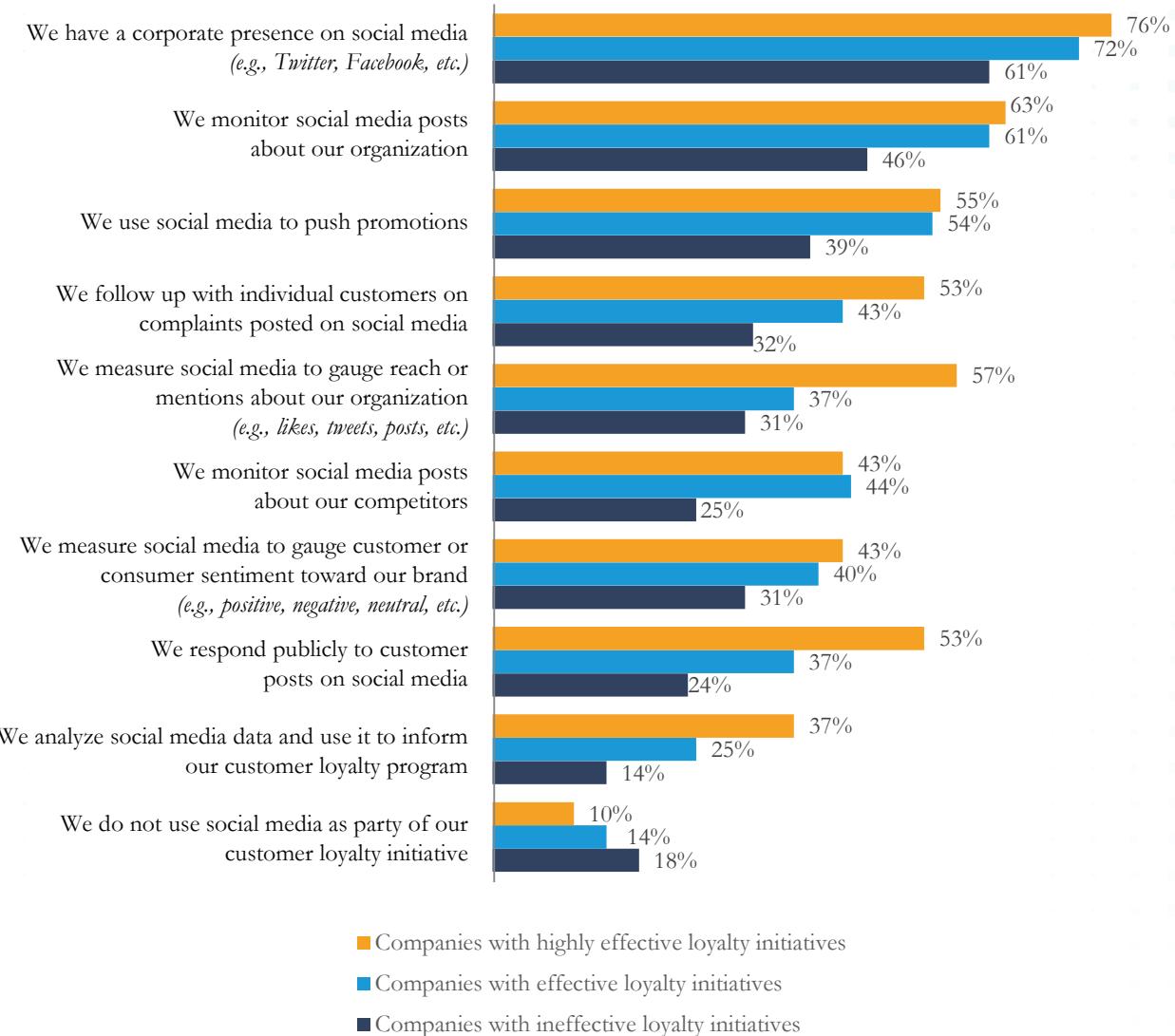


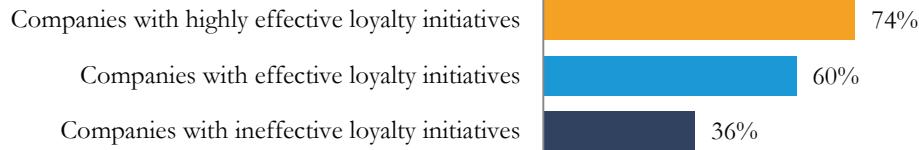
Figure 14

Data analytics valued and used as a core program component

Nearly three-quarters (74%) of organizations with highly effective loyalty programs agree that data analysis is a core component of their loyalty initiative, and 86% agree that their organization has a strong data-driven culture. This compares with a much lower emphasis on data and analytics among those with ineffective programs (in contrast, only about one-third agree with either statement).



Data analysis is a core component of our customer loyalty initiative (% Somewhat/Strongly Agree)



Our company has a data driven culture (% Somewhat/Strongly Agree)

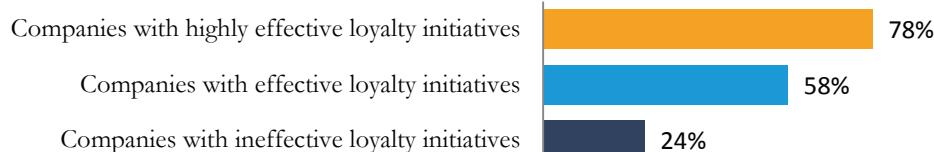


Figures 15 & 16

"We are always digging into our data... we can see what the customer is doing, how it's impacting our revenue, and how it might be impacting the customer's experience with our product/service, and then we can plan accordingly in our messaging," said Michelle Pujol, Director of Interactive, Univision Enterprises (A Division of Univision Communications Inc). "Data allows us not only to make more money ourselves, but to make the experience for the customer better and ensure they are happy with our service. This keeps the customer with us longer because we are giving them offers that are relevant to them."

Correspondingly, these organizations also are more likely to have the right analytical talent in-house to make good use of their customer data. Over three-quarters (78%) agree that they have this talent, compared with just one-quarter (24%) of those with ineffective programs, and just over half of those with moderately effectively programs (58%).

Our company has the right analytical talent to make good use of customer data (% Somewhat/Strongly Agree)



Figures 17

Furthermore, the customer loyalty initiative is more likely to have dedicated analytics resources in organizations that rate their programs as highly effective.

Q Does the customer loyalty initiative have dedicated analytics resources or are resources shared?



Figure 18

"Data is king at Catalina," said John Bastone, Executive Director for Retail Product Marketing, Catalina. At his company, they use purchase history data and segmentation to direct meaningful content that's relevant to each customer, and in turn, drive increased sales.

While customer segmentation isn't a universal strategy in highly effective loyalty programs, it is certainly more likely to be implemented, in both highly and moderately effective organizations, than in ineffective programs (each with 45% indicating they segment their loyalty program members, compared with 31%).

% of companies with loyalty members segmented into groups

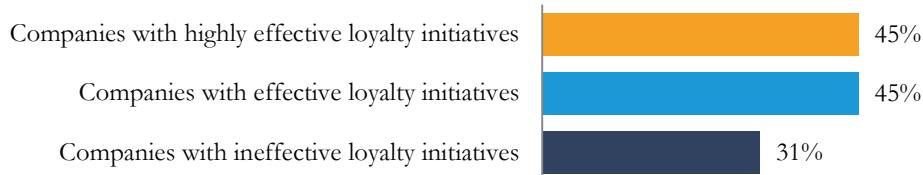


Figure 19



Those who do segment their customers – and have effective loyalty programs – are directionally more likely to use a variety of methods for classifying segments, including utilizing a combination of customer information such as transaction data, credit reports, customer demographics, etc.

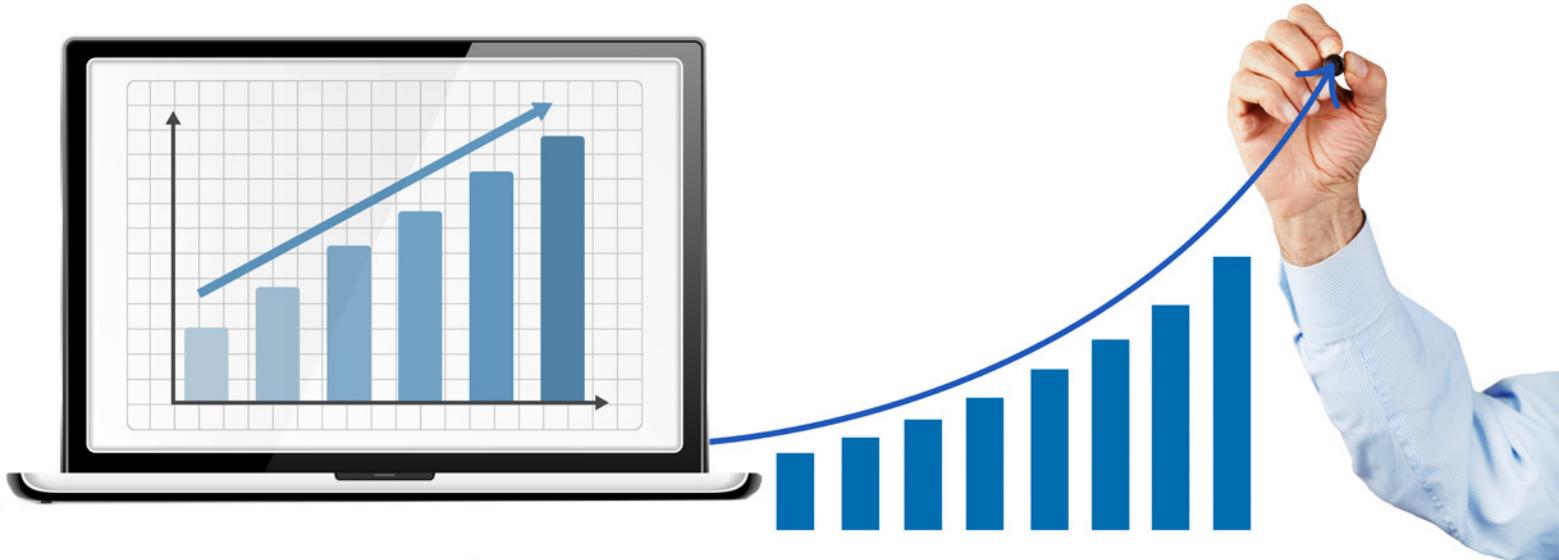
4: Customer Analytics Lead the Way to Loyalty

The vast majority of respondents surveyed (82%) view analytics as either “somewhat” or “very” important to their loyalty programs. As previously noted, organizations with self-rated highly effective programs place a greater value on analytics as a core component of that program. In fact, they are more than twice as likely to view analytics as “very important” (65% vs. 30%).



Figure 20

In fact, they make fuller use of a variety of customer information data sources than their counterparts, going beyond transaction data and membership profile information to utilize customer survey data (55%), as well as exhibiting a generally greater likelihood to use a variety of data sources, such as web traffic, mobile device data, social media data or consumer lifestyle information.



Q Which of the following types of customer information do you use as part of your customer loyalty initiative?

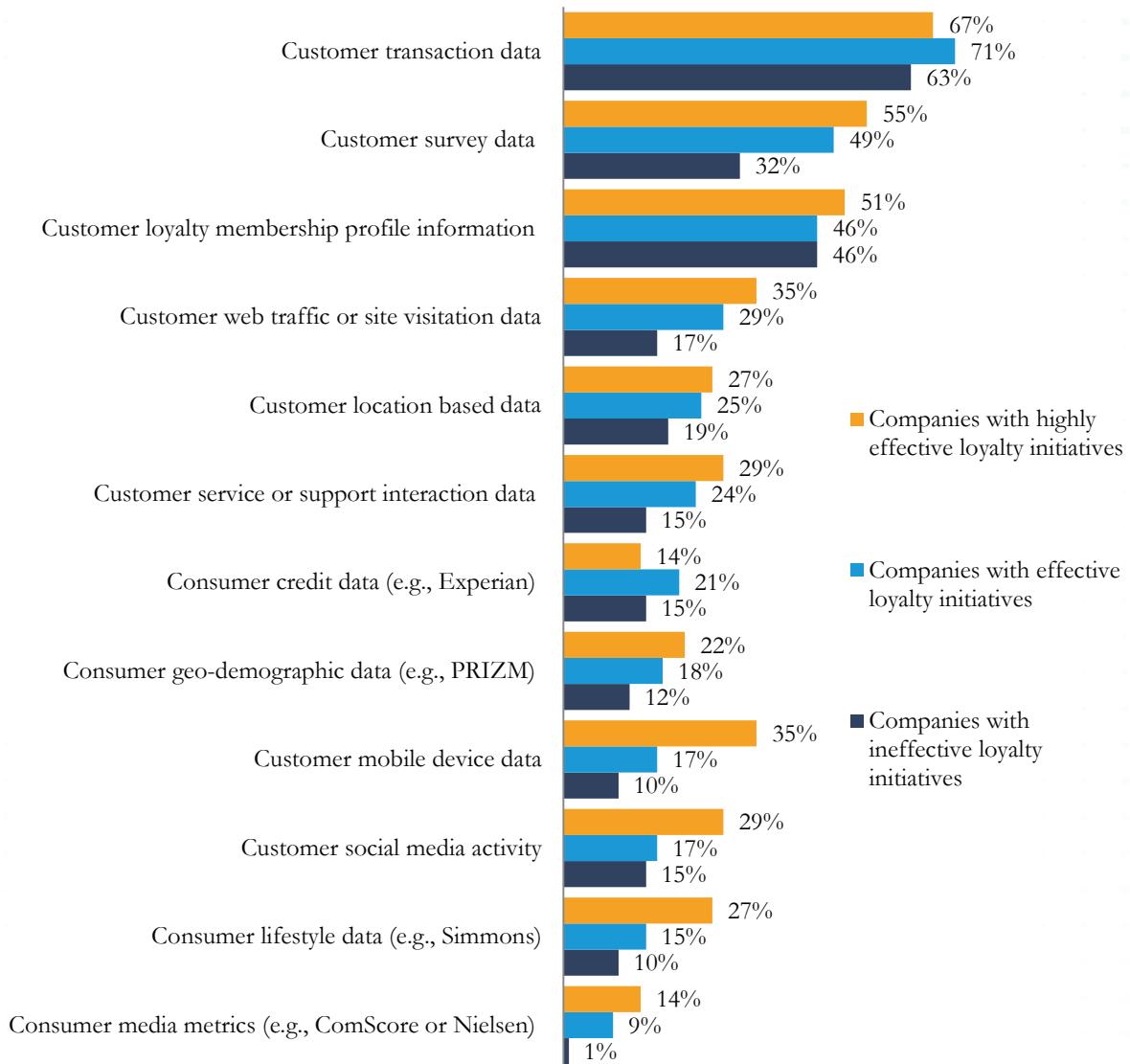


Figure 21

Advanced analytics help companies make effective use of this variety of data inputs. The following chart illustrates the types of analytics highly effective organizations utilize within their loyalty initiative.

Q What types of analytics does your organization use as part of your customer loyalty initiative?

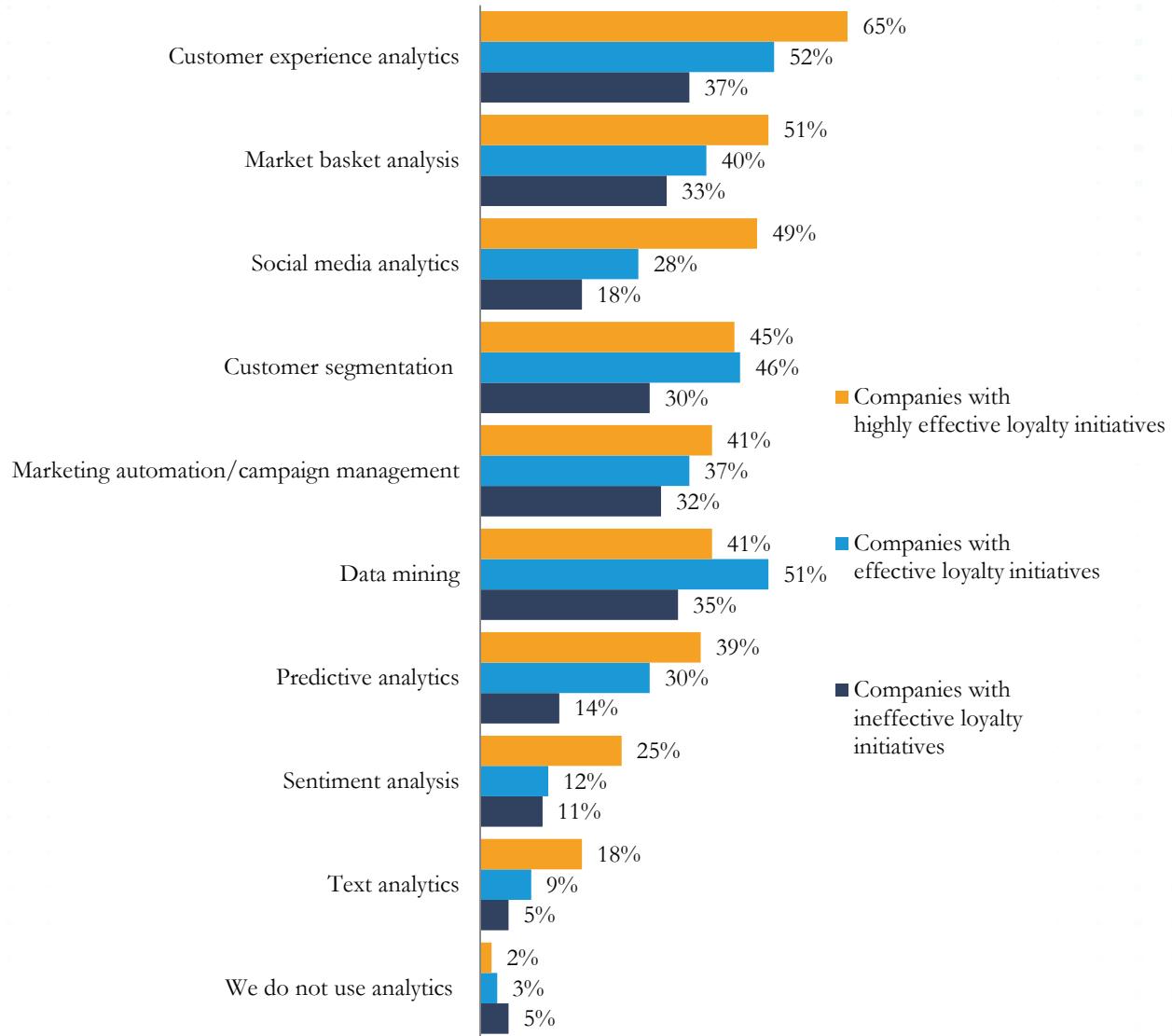


Figure 22

Customer experience analysis, market basket analysis, social media analytics, and customer segmentation top the list for those with highly effective programs. On the flip side, those with ineffective programs are less likely to be using any one of these types of analytics. This correlation between analytics and highly effective programs demonstrates the value of utilizing a variety of analytics, *particularly those with a customer-focused lens such as customer experience and segmentation.*

In our organization, segmentation is key to marketing and engagement across a wide range of communication channels, and predictive modeling, sampling and advanced testing is utilized to understand customer behaviors and target campaigns, said an Executive Director of Loyalty Marketing Operations at a global destination resorts organization.

"We have predictive models and algorithms that track and model customer behavior so that we can understand from a product offering where that customer has a preference to stay, play and dine, so we can tailor offerings to what they're interested in," he added. "By increasing our segmentation, we can tighten up our reinvestment and that helps us increase margins."

The proof is in the pudding: organizations that have become more data-driven within the past two years (based on self-report) are **much more likely to report an improved financial performance** over the same time period (81% vs 58%) and are more likely to believe their market position is ahead of the competition (57% vs 42%). And, logically, these organizations are more likely to be able to calculate the revenue impact on their loyalty initiative (57% vs 48%).

Q Over the past two years, has your organization's overall financial performance:

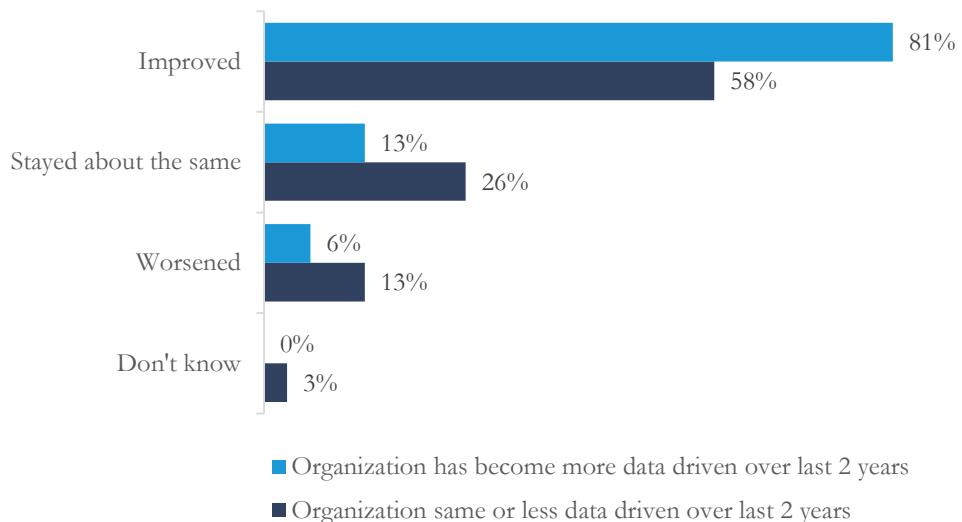


Figure 23

Q How would you describe your market position compared to similar types of organizations in your industry?

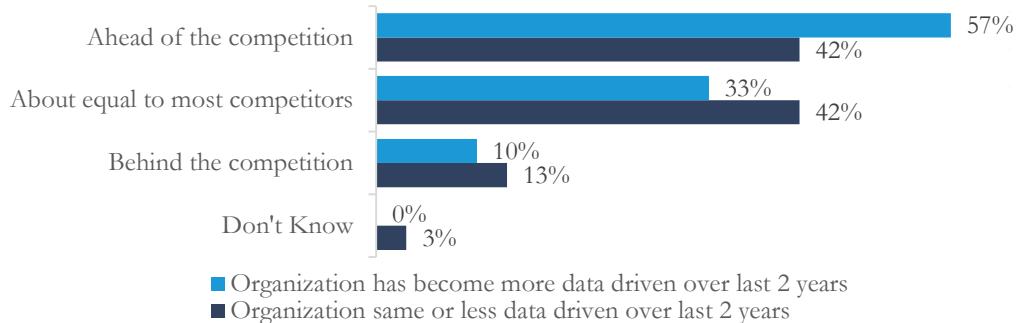


Figure 24

Organizations that have increasingly become more data-driven tend to offer the same components in their loyalty programs but with a greater focus on exclusive discounts and free products/services. What is really different about them is how they utilize analytics to help them better target their customers, identify at-risk customers, and capitalize on opportunities in the marketplace accordingly. For example, 44% segment their customers into groups, compared with just one-third (34%) of organizations who haven't become more data-driven.

These segmentations also tend to be multi-layered, relying on more inputs than simply the total amount of purchased products/services, or total spend.

Q How are the loyalty program member segmentation groups classified?

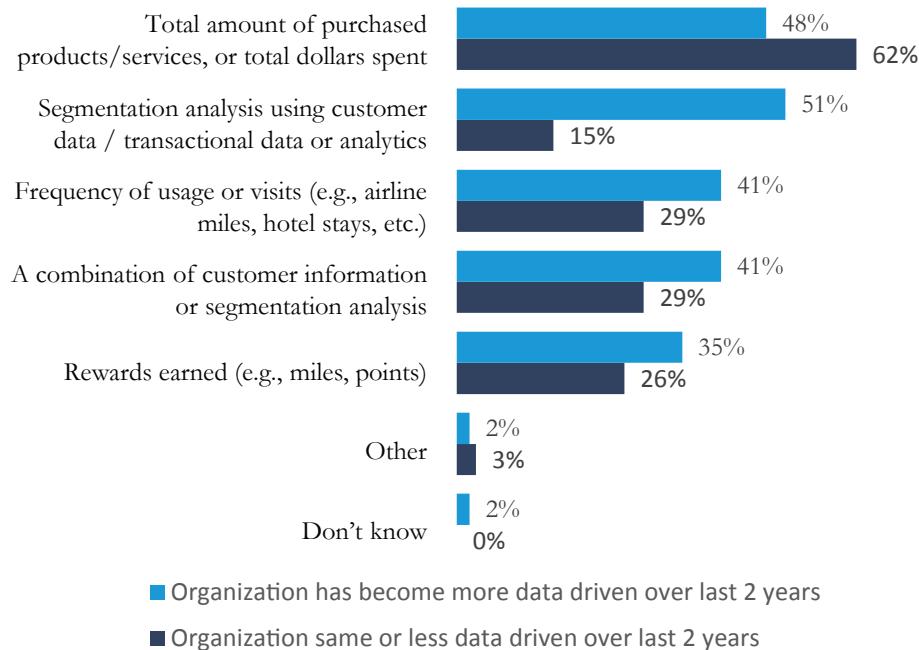


Figure 25

Based on respondents who have a customer loyalty program who segment members into groups



When put to its best use, the information culled from customer loyalty and experience programs enables organizations to tailor marketing messages to meet the individual needs and preferences of their members and to engage customers outside the traditional point-of-sale. Here we have observed that those with high-performing loyalty programs are adept at identifying and cultivating their best customers, as well as taking action on at-risk customers, by utilizing analytics to their advantage. They are better at anticipating customer needs, and are more successful in defending their customer base against competitors.

Simply put, high-performers use customer analytics to drive business strategy and create business impact. While the vast majority of organizations value and understand the role of analytics in customer loyalty initiatives, many still lag in implementing capabilities required to establish and maintain effective programs, and get ahead of the competition.

Companies that focus first on understanding their market, their customer base, and the varying needs of different customers by segment will be in the driver's seat. Retention of the most valuable customers will flow more naturally by focusing on customer needs. Analytics are a crucial element in enabling organizations to effectively target customers with better/more personalized rewards, and create a longer-term relationship with those customers throughout the customer experience.

Research Panel

Sample was obtained by sending email invitations to Research Now B2B panelists and screening for the appropriate job responsibilities. Research Now is a major US panel sample provider.

A key part of the research behind this report includes interviews with a panel of enterprise marketing executives that are versed in customer loyalty management principles and practices. Their perspectives provided additional insights and context that enriched the narrative and confirmed many of the survey results. Our distinguished research panel includes:

Scott Friesen, Director of Marketing Analytics and Customer Insights, Ulta Beauty

Michelle Pujol, Director of Interactive, Univision Enterprises (A Division of Univision Communications Inc)

John Bastone, Executive Director for Retail Product Marketing, Catalina

Executive Director of Loyalty Marketing Operations at a global destination resorts organization.



Note from the Sponsor

Think of the businesses today that have a following of “superfans”. You know the ones. Their customers proudly sport their logo emblazoned t-shirts, coffee cups and bumper stickers and sing the company’s praises on Twitter, Facebook, and numerous other social channels. Their brands are enthusiastically recommended to everyone, and their customers wouldn’t dream of doing business anywhere else.

The value of ardent brand advocates can’t be underestimated. Their social influence is far-reaching. And their profit potential can be significant for your company’s bottom-line. Market leaders are made from highly loyal customers that drive new business to their companies. The question is, how do you attain that level of loyalty with your customers, and what does it take to get there?

For companies that excel at customer loyalty, success goes much deeper than having a great product or giving a nice discount. It’s about knowing how to create a consistently positive customer experience every time. Despite the popularity of loyalty programs, many organizations are still unable to identify the most profitable customers and effectively drive desired behavior. They fail to increase the loyalty and value of their most important customers because they don’t know who those customers are, and don’t understand what makes them happy.

Without customer analytics, it’s nearly impossible to know how to shape a meaningful customer experience, or gain an accurate view of loyalty program effectiveness, campaign ROI, and member profitability drivers. What’s missing are the deep, rich insights derived from relevant customer data that you can act on quickly and make smarter, fact-based decisions.

Customer analytics play a key role in helping organizations optimize and support key junctures throughout the entire customer journey where the goal is to ensure that whatever type of interaction or channel used, the customer receives a consistent, personalized and compelling experience. And when one customer experience after another is positive, loyalty is likely to follow.

With customer analytics, you can:

- **Deepen your knowledge** of customers’ buying habits, lifestyles and preferences.
- **Understand social relationships** between your customers and their friends and acquaintances and discover how those relationships influence purchase behavior and loyalty.
- **Bring context to the conversations your customers are having** by better aligning what you listen for with the lens through which you view your business.
- **Make more accurate predictions** about customers’ future buying behaviors.
- **Deliver anticipated, relevant offers** that delight rather than alienate your customers.

Customer analytics are critical to understanding today’s empowered, connected customers. They’re key to achieving the depth of understanding you need to let your customers know that “you get them” and creating long-term loyalty. Thanks for reading this International Institute for Analytics report. I look forward to continuing the conversation.

Adele Sweetwood
Vice President of Marketing
SAS



About IIA

The International Institute for Analytics (IIA) is the authority on analytics maturity and best practices and provides the advisory and support for organizations to leverage the power of analytics to drive business results. IIA encompasses a network of analytics experts committed to knowing and sharing the keys to success in an economy increasingly driven by data.

IIA guides mission driven organizations as they build and grow their analytics programs. With an in-depth research library, phone-based and in-person events, and custom training and advisory services, IIA is an extension to business leaders and implementers to provide the strategic guidance required to be an analytical competitor.

About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Customer analytics solutions from SAS offer the processes and technologies that allow marketers to plan, coordinate and evaluate the success of their marketing initiatives. By putting data in the hands of business users, marketing programs become more effective and the organization becomes more efficient in execution. Deeper insights from data gathered help organizations to become customer-centric by understanding their customers better and improving customer loyalty. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.

Sources

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