

# Marketers Need to Stop Focusing on Loyalty and Start Thinking About Relevance

by John Zealley, Robert Wollan, and Joshua Bellin

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If your customer retention strategy relies on “buying” loyalty with rewards, rebates, or discounts, it is coming at a high cost. And these days, it could also mean that you’re giving up something priceless: your relevance.

That’s because the “loyalty era” of marketing, as we’ve known it, is waning. It was built in part on the notion that consumers will keep buying the same things from you if you have the right incentives. Yet, according to recent consumer research from Kantar Retail, 71% of consumers

now claim that loyalty incentive-programs don't make them loyal at all. Instead, in this new era of digital-based competition and customer control, people are increasingly buying because of a brand's *relevance* to their needs in the moment.

### How Marketing Moved from the Mass-Market Era to the Era of Relevance

A combination of technology, data, and organizational goals has ushered in each new growth stage.

GROWTH ERA	MASS-MARKET	SEGMENT	CUSTOMER	LOYALTY	RELEVANCE
Decade	1960s–1970s	1980s	1990s	2010s	2020s
Technology enabler	Mass production	Market research	Enterprise IT	Advanced CRM	Digitization of everything
Performance indicator	Volume	Purchase funnel	Customer lifetime value	Customer retention	Customer attraction
Market approach	Mass appeal	Segmentation	Proposition innovation	Tailored incentives	Personalization
Management focus	Product and scale	Channel and scale	Channel and relationship	Experience and relationship	Experience and personality

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In fact, consumer research we've worked on at Accenture shows that in the U.S. market alone, companies are

losing \$1 trillion in annual revenues to their competitors because they are not consistently relevant enough. Loyalty remains important, but this finding indicates that the future of marketing – and, in the big picture, many businesses – depends on serving a customer's most relevant needs in the moment. In this way, companies need to become like more like living businesses, building and sustaining symbiotic ties with their customers as if those relationships are with a concierge, butler, or friend.

### A New Definition of Relevance

To become this kind of living business, with a new understanding of customer needs, we need a new definition of relevance. Abraham Maslow's oft-quoted "hierarchy of needs" – first published in 1943 – provides a good start. Maslow sought to map the psychological needs of humans and their motivations. But his framework also offers a model for rethinking the traditional four P's of marketing: *product*, *price*, *place*, and *promotion*. Most companies today are guided by these four facets of engagement.

The problem, however, is that brands using the four P's exclusively often target a static customer archetype (e.g., a high-minded customer for an organic supermarket or a value-conscious customer for a discount chain). The reality is that there is no such archetypical customer. Everyone's needs vary depending on time and context. And with today's technologies, companies now have the ability to see and act on these fluctuations in the moment. Customers are increasingly expecting all companies to do just that, both in their marketing efforts and in the experiences they offer.

To become a living business, companies should expand their thinking to include the following five P's as well: *purpose*, *pride*, *partnership*, *protection*, and *personalization*. These form a simple and comprehensive test of relevance. The first four extend from the top to the bottom of the psychological hierarchy—from what Maslow called “self-actualization” or fulfilling your full potential, to safety, a more basic need. The fifth, *personalization*, enables companies to connect with customers around any of these needs.

1. *Purpose*: Customers feel the company shares and advances their values.
2. *Pride*: Customers feel proud and inspired to use the company's products and services.
3. *Partnership*: Customers feel the company relates to and works well with them.
4. *Protection*: Customers feel secure when doing business with the company.
5. *Personalization*: Customers feel their experiences with the company are continuously tailored to their needs and priorities.

Soul Cycle provides a good example of what the five P's look like in practice. By creating a community for indoor cyclers and fitness buffs, SoulCycle's *purpose* aligns with customers' values of health and a positive environment. This experience creates a sense of *pride* for customers who want to participate in a high-end cycling experience (given the pricing and the tendency for instructors to be young and fit). Customers also feel that SoulCycle is a *partnership* in the lifestyle they wish to achieve: They feel like they are treating themselves with new, clean facilities, upscale bathroom products, and custom SoulCycle playlists on Spotify.

SoulCycle customers also feel *protection* in their purchase – which is expensive for a 45-minute fitness class compared to the cost of a traditional gym – because they are confident that the staff will help them with their needs and also will help them to make the most of each class. Finally, the SoulCycle experience becomes totally relevant when a customer has an instructor that personally inspires them, thus creating *personalization*.

Many companies will be challenged to satisfy all five P's at once. The following three principles, however, should help them in their efforts to connect with customers on these fronts:

**Go outside your comfort zone**

Many companies have been using the traditional four P's for decades, and many of those with great success. Often, this means companies will need to extend outside of their comfort zones to position their brands these new, expanded ways.

Consider Yoplait, the global yogurt brand owned by food giant General Mills. Consumers typically associate big food companies with mass-production methods and plastic packaging. Companies like these are more typically accustomed to using traditional 4 P's approaches such as pricing and promotions to attract and retain customers. But Yoplait recently found itself contending with an influx of newer brands, including the Greek yogurt brand, Chobani, that emphasize and compete on meaningful connections to authentic food traditions.

In response, Yoplait pivoted toward a focus on customer relevance. Yoplait found that consumers often take *pride* in using products with a connection to an authentic national tradition - whether Italian olive oil, or Greek and Icelandic yogurt. Recognizing that its long history of making French yogurt could be turned into a market advantage, it embraced a traditional French method in which yogurt is cultured and sold in small individual glass pots. As a yogurt executive at General Mills noted, "The simplicity of this idea, that this is a French method, coming from a French brand, with a French name – that's authenticity." It is also something both Yoplait and its customers can take pride in.

The company is, at the same time, enhancing its relevance to customers in other ways. For example, it also recognized customers' desire to feel *protected*. Their new "Oui" French yogurt product is all-natural, non-GMO, and promotes its very simple ingredient list.

It's still too early to tell whether this targeted initiative will translate into increased sales. Nonetheless, it is a noteworthy example of a company purposefully pivoting to an approach that extends beyond its norms to be relevant to customers.

CVS Pharmacy, the retail pharmacy of CVS Health, offers another example. CVS Pharmacy is moving beyond a purely transactional retail model where customers fill prescriptions; instead, the company is focusing on helping their customers on their path to overall better health. In this way, customers share the company's purpose. It also helps satisfy their desires to feel cared for, and helps build upon the trusted relationship most customers have with their pharmacist - an example of what we've termed *protection*.

Extending far outside the traditional retail paradigm, CVS is embracing technologies including predictive analytics, artificial intelligence, and machine learning to send their customers personalized reminders to refill or take their medications, in the spirit of *partnership*. And, the company has teamed with AI giant IBM Watson to anticipate patient needs, including when they might require more urgent care. These new avenues and practices will enhance the value for customers in maintaining an active engagement with a pharmacy retailer—and make the CVS brand more relevant in the moment through protecting their health and well-being.

## **Timing is everything**

If the first four P's are additive, the final one – personalization – is multiplicative. A key component of becoming a living business is conveying exactly the right message, experience, or offer to customers in exactly the right context. It's a level of personalization that few companies ever attain.

Car-rental giant Hertz has worked to develop a “Just in Time” approach to delivering highly relevant offers at the exact moment when the customer is evaluating deals across the channels they prefer, whether it is through call-center agents, counter terminals, handheld devices, or the Hertz web site.

Using predictive analytics, Hertz suggests deals based a customer's propensity to accept certain offers over others. For example, a customer who would be qualified for a buy-one-get-one-free deal might still receive a different (perhaps even less profitable) offer if she passed up similar offers in the past. The company understands that a promotion can only be as profitable as a customer's willingness to take it – and an unwilling customer is a lost opportunity. That's why offers are calibrated to a customer's behavior in a way that all marketing channels can simultaneously use.

## **Don't be loyal to the status quo**

To succeed in this era of relevance, marketers and companies must be continuously willing to abandon the old. As new technologies shift customer journeys and expectations, they can (and should) also enhance companies' abilities to engage with customers in the most relevant ways. Often, the greatest roadblock is a company's lack of willingness to transform their processes, organizations, and mindsets as needed.

To overcome that barrier, some companies have shifted from a product-focused mindset to a platform approach.

Under Armour, Inc. offers a good example. Instead of thinking of itself merely as a sports apparel manufacturer, the company has purposefully developed a “connected fitness” ecosystem. In 2015, in fact, it spent more than \$500 million to acquire two popular fitness-metrics services in a bid to become the world’s largest tracker of fitness information. The two services – one based in the United States and the other in Europe – had a combined 100 million subscribers when they were acquired.

Under Armour intends to enable these platforms to grow independently, while reaping aggregated data that can inform and expand its apparel designs. Ultimately, the goal is to link customers to new services such as innovative start-ups that are developing embedded sensors and biometric readers for apparel. In the words of CEO Kevin Plank, “Brands that do not evolve and offer the consumer something more than a product will be hard-pressed to compete.”

Similarly, automaker BMW has embraced partnerships across a broader ecosystem to help its customers navigate their urban environment, with or without their car. Customers can now see their engagement with the brand as an ongoing relationship, rather than a one-and-done purchase. To provide its customers a seamless transportation experience, the automaker links them into a broader ecosystem of car-share and rental companies, parking aids, electronic-vehicle charging stations, and location-based mobile lifestyle apps.

Today’s mobile-enabled consumers are constantly evaluating and re-evaluating their purchasing decisions. They will choose the brands most relevant to them at an increasingly rapid pace. And they’ll pay a premium. Living businesses – those that achieve this profound degree of relevance – will have pricing power and will drive repeat purchases. Those are the ultimate goals of loyalty, now newly attainable, when relevance matters more than ever.

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**John Zealley** is Senior Managing Director and Consumer Goods & Services Global Industry Lead at Accenture. He is based in London.

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**Robert Wollan** is Global Managing Director for Advanced Customer Strategy in Accenture Strategy. He is based in Minneapolis.

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