



Keeping Loyal Customers Happy



BRP SPECIAL REPORT

A supplemental report based on the findings from the 2018 Customer Experience/Unified Commerce Benchmark Survey

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“Enhancing customer loyalty is critical in today’s competitive environment, however, to do that successfully requires retailers to quickly and easily identify the customer and access pertinent preferences and order history to create a personalized experience for each customer seamlessly in every channel.”

Perry Kramer, SVP and Practice Lead, BRP

Introduction

Today’s consumers connect with brands across multiple channels, which complicates the process of recognizing, servicing, and rewarding loyal customers. Customers expect engaging and relevant interactions and conversations across any and all channels, however, they don’t have the tolerance for complicated processes. Customers want and expect personalization and if they are treated well, they will reward the retailer through additional purchases.

In fact, according to the 2017 State of Personalization Report of more than 1,000 U.S. consumers, 44% of consumers say that they will likely become repeat buyers after a personalized shopping experience with a particular company¹. A happy customer is likely to be one that is loyal, valuable and – perhaps most importantly – a customer who will be an advocate for your brand.

According to the Pareto Principle, 80% of your business will come from 20% of your customers, so it makes sense to focus on the 20% who are loyal, repeat customers as they are the most valuable to your business. Keeping those customers happy should be a major focus of your customer engagement efforts.

To understand which services and experiences are most important to consumers and how retailers can use this information to enhance customer loyalty, we compared the findings from BRP’s Consumer Study to the results from the 2018 Customer Experience/Unified Commerce Benchmark Survey.

Customer Identification and Incentives

Personalization is a hot topic for retail. Unfortunately, as consumers become more technologically savvy and have access to better information, there is a widening gap as retailers struggle to meet consumers’ escalating expectations. Personalization fills that gap and is one of the best ways to create and maintain a connection with your brand’s most valuable and loyal customers.

Personalization encapsulates all the details that make the customer’s shopping experience unique to her. Of course, it involves knowing the customer and understanding her past purchases and current interests, but it also encompasses the overall experience itself and whether that experience meets the customer’s needs and expectations while creating an



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79% indicate that personalized service from a sales associate is an important factor in determining at which store to shop

¹ “The 2017 State of Personalization Report,” 2017. <http://grow.segment.com/Segment-2017-Personalization-Report.pdf>

environment that fosters brand loyalty. It is important to consumers, in fact, 79% of the consumers in BRP’s Consumer Study indicated that personalized service from a sales associate influenced their store choice.

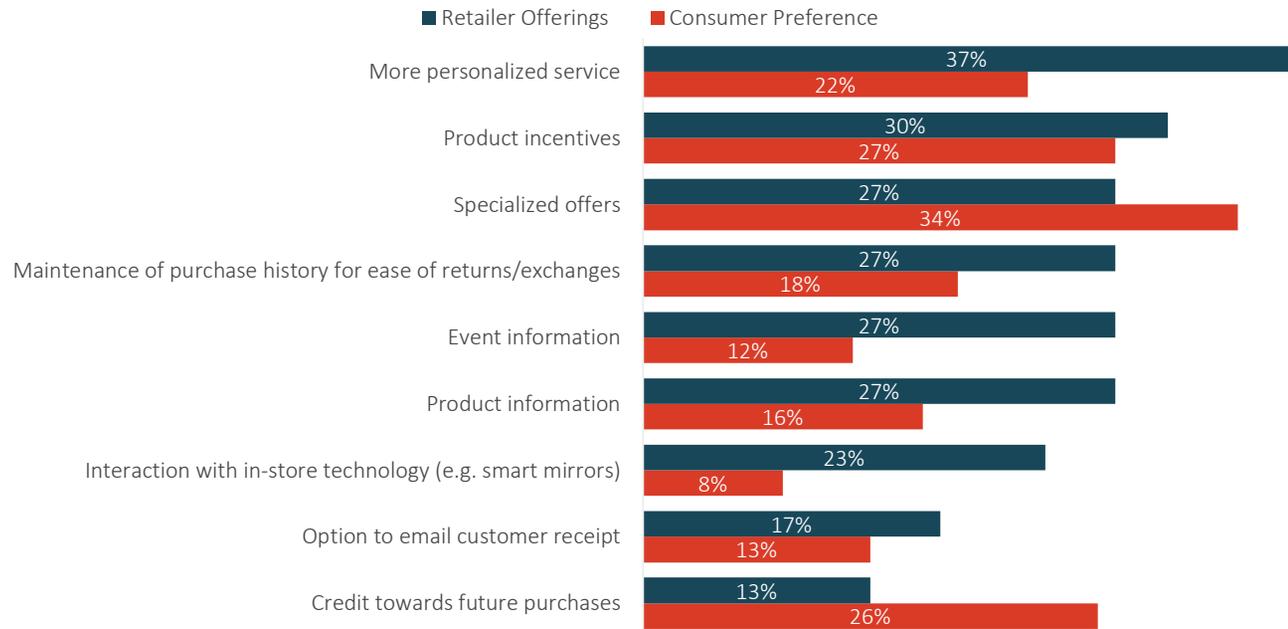
To be able to engage with customers on a personal level requires the ability to identify the customer early in the process at any touchpoint. Unfortunately, as noted in BRP’s 20th Annual [POS/Customer Engagement Survey](#) we found that 63% of retailers can’t currently identify their customers until after they reach the checkout. Identification initiates the conversation and sets the foundation for relationship building and without it, the retailer misses out on opportunities to enhance customer loyalty. The key is providing customers a value proposition that makes it worth the effort to identify themselves. Most customers are okay with retailers identifying them when they enter the store if they receive something valuable in return. In fact, 64% of the consumers in the BRP Consumer Study indicated they would be comfortable with in-store identification by retailers. Younger customers are even more accepting of being identified with retailers, as **75% of Gen Z and Millennials are comfortable with this type of identification.**



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 64% are comfortable with retailers identifying them via their mobile phone when they enter a store, as long as it means they receive a personalized experience

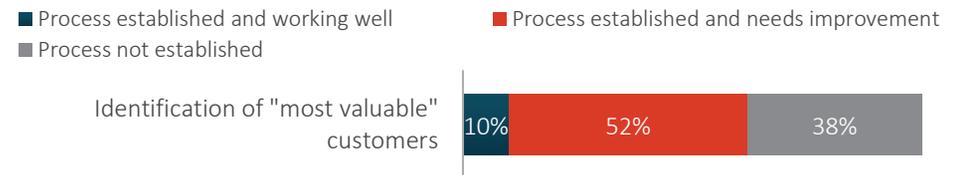
Offering Incentives – which is almost mandatory in today’s environment – is a smart way to encourage customers to provide their personal information for customer identification. It is important for retailers to offer compelling benefits to ensure that the customer feels they are getting value in return for sharing their personal information. The optimal incentives will vary greatly based on each retailer’s customer demographics. Younger generations are much more willing to share their contact information; however, they also have much higher expectations for constant content refreshes and value associated with sharing their information.

Exhibit 1
 Customer Incentives



To understand more about customer incentives, we asked consumers what they feel is a valuable incentive for allowing identification when they walk in the store and asked retailers what they offer to customers. 37% of retailers offer more personalized service to customers as an incentive while only 22% of consumers feel that is enough of an incentive to allow retailers to identify them when they walk in a store (Exhibit 1). From the customer side, they would prefer incentives that have monetary value, such as specialized offers (34%), product incentives (27%) or credit towards future purchases (26%). Although not every incentive needs to be linked to a discount, creative incentives can also include an improved checkout experience driven by stored payment preferences systemically linked to loyalty. This type of incentive has proven to be very successful in the grocery and big box segment. With the right incentives, there is a strong correlation to the rate in which customers identify themselves, and identification creates opportunities to personalize the shopping experience further and or offer special discounts and promotions, which typically translate into higher sales. However, it is critical to use incentives that your customers deem valuable.

Exhibit 2 "Most Valuable" Customer Identification



Loyal Customers

With 80% of a retailer's business typically coming from 20% of its customers, identifying your most valuable customers and understanding their shopping habits is critical to cultivating loyal brand enthusiasts. Intrinsicly, your most valuable customers are dedicated to your brand, but to cultivate loyalty it is important to surpass expectations whenever and wherever possible. This valuable niche of your customers responds most favorably to a personalized experience because they want to feel recognized and rewarded for their loyalty. Although care needs to be taken to ensure that any communication and offerings is considered valuable to the customer. Just because a retailer can reach out to the customer doesn't mean that it is always the right choice. Again, the optimal way to achieve this is to identify the customer as soon as possible and communicate his or her information to an associate so they can facilitate information gathering, provide personalized recommendations and an excellent customer experience.

We asked retailers if they were able to identify their loyal customers. Obviously, this requires the means to identify the customer when she walks in the store, but also to identify that this particular customer is even more valuable because she has already established a strong relationship with the brand. While 62% of the respondents could identify this segment of customers, 84% of those feel the process needs improvement which highlights potential missed opportunities (Exhibit 2). Most retailers utilize the traditional process of identifying valuable customers through RFM (recency, frequency and monetary value of customer purchases) as the driving method for recognizing customer value, but other methods are growing in popularity like customer profitability and brand advocacy (Exhibit 3). Retailers should also be measuring lifetime value (LTV) as a means to understand the long-term health and value of the customer relationship.

Brand advocacy is a valuable measurement tool for retailers as many consumers base their research and purchasing decisions on peer recommendations and testimonials. Measuring brand advocacy is a promising means of identifying valuable customers, since these customers have a propensity to influence other potential customers and draft additional loyal customers – principally through social media networks. Using brand advocacy as a means of identifying the most valuable customer is gaining traction. **While only 47% of retailers are currently using this method, the number continues to increase, from 28% two years ago to 40% last year to now nearly half of retailers.**

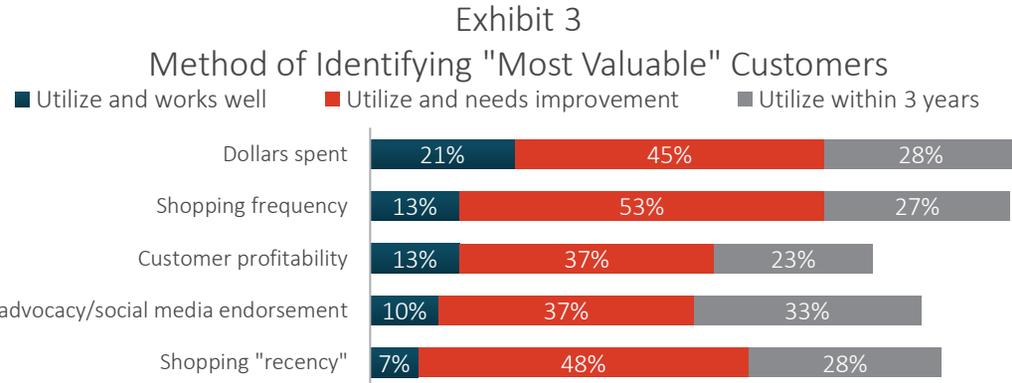
Customer Engagement

How a retailer chooses to implement customer engagement is a key differentiator in personalizing the customer experience. But one of the key criteria is to ensure that sales associates not only recognize your most valuable customers, but also have the tools in place to personalize the shopping experience by offering specialized offers, purchasing suggestions, or promotions. Consumers prefer personalized rewards as a reward for their loyalty to the brand with 68% indicating they would shop at a store offering it over one that did not.

How the organization selects, implements, and incentivizes a given engagement model should be aligned with the end goal to support a customer experience matching or exceeding expectations, with the underlying intent to deepen the customer’s relationship with the organization.

While many retailers can identify their most valuable customers, only 28% have a process in place to communicate this information to an associate, and all of them feel that the process needs improvement (Exhibit 4). What is even more telling is that 72% of retailers do not currently have any process in place to communicate most valuable customer status to their associates before the point of checkout. This is a missed opportunity for retailers to nurture relationships with their most valuable customers and provide the “Amazon experience” in the store.

In today’s unified commerce world, customer engagement has to be holistic and transcend channels. Furthermore, today’s well-



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68% are more likely to shop at a retailer that offers personalized rewards based on the customer’s loyalty



informed consumers are not satisfied with a ‘warm body’ or a ‘one size fits all’ experience – they expect retailers to put time and effort into establishing and offering a personalized experience.

Personalizing the Experience

Research shows the best methods for enhancing a customer’s shopping experience involve offering personalization. According to the BRP Consumer Study, 79% of consumers said personalized service from a sales associate was an important factor in determining where to shop. And even more telling, 50% of the consumers in the BRP Consumer Study indicated they are willing to provide retailers with personal information if they receive meaningful and customized offers in return. Consumers’ ability and willingness to provide detailed information when they see a value is a trend that continues to increase as today’s younger generations define personally identifiable information much differently than their parents did.



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50% are likely to allow a retailer to save their personal data if it helps ease the checkout process and provides personalized offers

In the Customer Experience/Unified Commerce Survey we found that retailers realize that customers want more personalization, especially loyal customers that expect to be recognized. The most popular methods for retailers to enhance the customer experience for its “most valuable” customers are invitations to special events, personalized promotions and personalized rewards (Exhibit 5).



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63% are likely to stop shopping at a retailer if they have an unsatisfactory shopping experience

Customer Satisfaction

Engaging the customer through personalization and relevance is the key to attracting and keeping your customers happy and continuing to shop your brand. Retailers that identify customers when they enter the store and equip their associates with the proper mobile tools can personalize the shopping experience based on customer context. Customer context is the interrelated factors of customer insights and environmental conditions the make the shopping experience relevant. It enables retailers to personalize the shopping experience based on customer preferences, purchase history, their closet, their most recent online browsing history, time of day, weather and their physical location – all based on real-time information and personalized to create a bond with these valuable customers.

Keeping loyal customers happy is critical as it only takes one unsatisfactory shopping experience for 63% of consumers to stop shopping your brand. The most valuable customers have already established their loyalty to your brand but to keep them coming back and to encourage their advocacy of the brand, it is important to ensure each and every shopping experience is personal and positive.





About BRP

BRP is an innovative retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

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