Are you truly measuring your customer loyalty?

Measuring loyalty can be a tricky business and over the years there has been a lot of discussion within the industry about what should be measured – recency, frequency, spend – to most accurately predict impact on behaviour. However, in its broadest sense, loyalty can be seen as a 'positive emotional response' to a brand[1]. And measuring love, never mind the other elements, can be complicated.

Only connected loyalty is true loyalty

Complacent ▶ **Conditional** ▶ **Connected**

Collinson thinks of loyalty as a continuum, stretching from a mostly passive relationship – complacent loyalty – to a fully engaged connected loyalty state. Connected loyalty should be the goal of any loyalty strategy. Loyalty only becomes truly powerful when a customer has an emotional connection to a brand and becomes an advocate for the brand. Connected loyalty is measured by more than revenue – brands must assess and value more intangible aspects of their relationships with customers.

In a world of where customer experience is paramount, a strategy for loyalty is critical. A loyalty programme may be run locally as a tactic – but there's no replacement for a customer centric strategy with loyalty as a goal.

For more, see our paper **Loyalty as a Strategy**

Shifts in the industry

To complicate matters, while exploring how to more accurately measure the value of loyalty programmes, two major shifts occurred in the industry.

Focus on the entire experience

The first was a return to prioritising customer experience e.g. recognising that customers are impacted by their entire experience, from start to finish and beyond - not just certain elements or individual steps. This idea gained traction after communications experts raised the need for omnichannel communications, as well as developments in user experience, where customer-centred approaches drove incredible results.

Customer experience is a new way to describe the truth that we have always known – that the entire experience with the brand and product/service ultimately determines how the customer feels and how they decide when/ if to use them. The whole experience needs to be fit for purpose – the "rights" as we say here at Collinson – not only the right product or service for the customer, but delivered in the right way, at the right time, with the right messages and offers.

[1]Arnould, E., Price, L. and Zinkhan, G. (2003)

Focus on the customer

The second shift was when businesses realised that the customer takes primacy over the loyalty programme. In other words, instead of focusing on the idea that value is in the programme and what the company does for the customer, it is actually what the customer does for the business that is the most important part of the relationship[2].

> In a customer-centric world, customers should be seen as the asset.

And once you see your customers as the asset, it's just sound business practice to measure your company's assets.

Proof of shift number two are the recent trends in the travel sector, where the loyalty programmes are so valuable that they become revenue generators and, in some cases, independent brands themselves. What remains to be seen of these mega programmes is if they can keep the emotional bonds created by the parent brand even when they become enmeshed with other brands in cobrand deals or distributed so widely they become a de facto coalition brand.

All of which gives brands two issues. They not only need to measure the entire customer experience, including the emotional aspects, but also need to measure the impact of the experience on customer loyalty. Most brands with loyalty, or customer experience, programmes do measure them – but as per our earlier **paper**, many do not link their business goals to their programme goals or vice versa.

For more on goals and objectives of loyalty programmes, see our paper
Taking the Measure of Loyalty

The measurement conundrum

So, the measurement conundrum is two-fold – brands must not only identify the precise features of an experience to measure, but also need to know which of these features is most likely to be a predictor of loyalty.

We do know that it is the combination of attitudes and actions that drive the effectiveness of any loyalty programme. Actions can be easily identified using tried and tested variables such as measuring the recency, frequency and value of purchases. Some also consider lifetime value. When a customer-centric perspective is the yardstick, we agree with Uncles[3] who advises considering metrics that already exist within the brand and agreeing which ones are the most relevant for differing levels of purpose and engagement. For loyalty, this could be a combination of: customer satisfaction survey responses; social media involvement; advocacy; and complaints or queries.

In the longer term, it is sensible to implement specific measurable activities to ensure that member attitudes are being identified by the programme. This can start with some standard tactics such as a regular customer satisfaction survey, brand tracking or the capturing of net promoter scores (NPS) and may develop into the use of focus groups or the gathering of qualitative feedback. Systematic measurement of both a quantitative and qualitative nature will let the data 'speak for itself' and enable a deeper and more nuanced insight into member loyalty. Knowledge of the relationship between these factors for your specific loyalty programme will enable you to understand the relationship between how your members feel and how they act.

[2]Shugan, S.M. (2005)
[3]Uncles, M. (2005)

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A step in the right direction – the Hackett Member Value Score

We believe real 'Member Value' isn't just what you spend. It is a combination of various transactional metrics which are indicative of value to Hackett not only in the past, but also the present, and the future.

The score is presented as a number from 0 to 100; the higher the number the more valuable the member. It allows Hackett to immediately understand the value of each member with just one number.

Our experts advised on which metrics drove the value, then we built a tool to rank them and assign weighting to each. We then standardised and weighted importance iteratively adjusted to arrive at a sum out of 100. It can be calculated monthly or even daily as needed.

Hackett have used this new system not only to adjust their tiers but to drive new initiatives within their programme. Ultimately, it can even be used to inform new segmentation for use across the entire business.

Score
100 ☆

HACKETT

Conclusion

At Collinson we've been working closely with our clients to resolve this measurement conundrum and feel that the future lies with the power of machine learning. A truly robust tool that can understand and measure unstructured data, such as social media and contact centre verbatims, and also marry that with transactional data, will be the key to success.

We are excited about these new shifts in focus to measure the entire customer experience and are dedicated to continuing to underpin our experience programmes with the same rigour as the traditional loyalty programme.

To find out more about what Collinson is doing in this space get in touch **info@collinsongroup.com**

About Collinson

Collinson is a global leader in customer benefits and loyalty. We deliver exceptional travel, assistance and insurance products that differentiate value propositions, and loyalty solutions that win deeper, more valuable customer relationships.

For over 30 years, we've been chosen by the world's leading payment networks, 1,400+ banks, 90+ airlines and 20+ hotel groups to craft customer experiences that win competitive edge. This enables them to acquire, engage and retain the most profitable, but most demanding customers. Our clients include Avios, Air France KLM, easyJet, Esprit, Hackett, Mastercard, Radisson Hotel Group, Sephora, Virgin Atlantic and Visa.

18 locations

13 countries

2,000 talented individuals

800+ clients

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