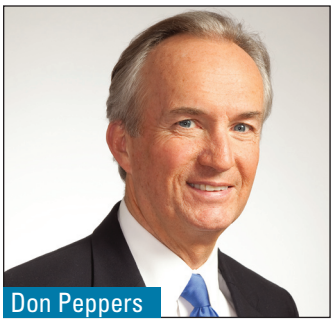
1to1® Executive Dialogue
Featuring Don Peppers and Martha Rogers, Ph.D.

Leveraging Loyalty Data to Enhance the **Cross-Channel Customer Experience**



Don Peppers

Recognized for over a decade as one of the leading authorities on customer-focused business strategy, Don Peppers is an acclaimed author and a founding partner of Peppers & Rogers Group, the world's premier customer-centric management consulting firm that provides clients with world-class customer strategy, flawlessly executed, for bottom-line impact.

Melissa Boxer

Melissa Boxer is vice president of Oracle CRM Applications. In addition to defining products and market strategy for the enterprise marketing and loyalty management portfolio of products, she also oversees bringing these products to market globally in key industries such as communications, retail, travel and hospitality, and financial services.

Loyalty programs and their ability to universally track customers help companies better understand high-value patrons—and then retain them by delivering relevant experiences

For most companies, the customer buying journey now takes place simultaneously across multiple touchpoints and often in several channels. According to a survey conducted by Prosper Mobile Insights, nearly half of consumers (40.6 percent) said they use mobile devices to browse competitors' prices while in-store. This increasing use of smartphones, social media, and digital interactions for research, purchasing, and service creates a stream of invaluable behavioral and interaction data that companies can pan for actionable insight. Although consumers interact with companies using multiple channels, business leaders are challenged to act on the information that's shared if the data goes unrecorded or if the data is siloed between channels and business units. This prevents decision-makers from gaining a more complete view of the customer.

For instance, in a cash-driven business such as Starbucks, a customer who spends $4 for a latte several times each day may appear no different than the one-time purchaser standing in line behind her. Unless organizations have some way to recognize the customer, record the transaction, distribute that information across multiple touchpoints, and reward the customer based on her lifetime value, the information that could be captured at the point of sale is otherwise wasted.

By using next-generation CRM and analytics tools, companies can capture, analyze, and act on the behavioral, transactional, and operational data gathered from customer interactions that occur at multiple touchpoints. In addition, loyalty programs and their unique ability to universally track customers can help companies take customer experiences to the next level. Loyalty programs provide the means to track customers and their interactions across every touchpoint, whether in person, online, at a kiosk, or in a social channel. The result is that now, decision-makers can glean critical insight based on a complete view of the customer to better deliver consistent, relevant, and meaningful sales, marketing, and customer support experiences across all channels to more effectively attract and retain high-value customers.

In this *1to1 Executive Dialogue*, industry experts Don Peppers, Founding Partner of Peppers and Rogers Group, and Melissa Boxer, Vice President, CRM Products—Marketing and Loyalty Solutions at Oracle Corporation, discuss the steps business leaders should take to leverage loyalty programs, integrated CRM, and customer insights to deliver a unified, personalized, and relevant customer experience that maximizes customer loyalty.

What are the biggest loyalty challenges with today's multichannel, social customer and what can business leaders do to address these issues?

Don Peppers: Everybody's talking about the empowered customer. Customers have much more knowledge than ever before. They're armed with access to information that they didn't have before. They share their experiences by electronic word of mouth. And businesses that used to make money through lack of transparency can no longer do so. Now, whenever you do a disservice to a customer, that disservice gets broadcasted.

Customers expect a higher level of trustworthiness from companies they deal with today. It's no longer enough to do what you say you're going to do. You have to proactively protect the customer's interests, and the more you use your data for the customer's benefit, the more likely the customer is genuinely going to trust you.

The other day I went to order a book on Amazon.com. I clicked on the book and got a message from Amazon warning me that I had already bought the book and asking if I want to buy it again. Now, here's the difference between ordinary trustworthiness and what Martha Rogers and I call extreme trust or trustability: It wouldn't have been untrustworthy for Amazon simply to sell me the book I was ready to order—it wasn't Amazon's mistake, it was my mistake. And I wouldn't have considered the company to be dishonest in any way if it simply sent me a book that I ordered by mistake. But because of the data Amazon has access to, it was able to help me avoid making a mistake. Its database's memory of our past transactions was obviously better than mine. Amazon used that to gain my trust, which is going to be worth a lifetime of goodwill, recommendations, and loyalty.

Melissa Boxer: Customers control the conversation and the kind of relationship they want to have with brands in terms of when they want to speak with you, where they want to interact with you, and how they want to do business with you. As a result, one of the biggest challenges that brands and businesses face is being prepared to have that right conversation with customers when and how customers choose to have it. Customers expect you to recognize them and to reward them for the business they do with you. And they expect that their experience with you will be seamless across all channels.

Ultimately, it comes down to data. It's enormously challenging to connect data silos that exist within an enterprise to get a full picture of the customer. We always talk about the 360-degree view of the customer and that continues to be a challenge. But with the rise of social networks and social data, we now have data that's essential for businesses in terms of understanding their customers and their behaviors outside of the firewall. One of the biggest challenges I see with our enterprise customers today is bringing social data in-house, making sense of it, connecting their enterprise data, and then leveraging that in a positive way to better serve their customers.

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>
> *Melissa Boxer, Vice President, Oracle CRM applications*

Customers often switch between mobile, social, and web channels. Why is it so important for companies to be able to follow the thread of a customer's interactions from one channel to the next?

Boxer: The balance of power between buyer and seller has completely changed. We're in the age of the customer. When we think of differentiation, knowing and understanding customers is a competitive weapon for most companies. You can compete on price and product, but it's increasingly hard to compete on customers.

Companies have to meet customers' changing requirements, including interacting with them across different channels and devices. It's important that companies understand the value of delivering seamless, consistent, highly personalized experiences to their customers. Recognize the value that they give you and serve them adequately, because the consequences of not doing so could be very dangerous.

Customers reveal a great deal about their preferences and needs through their cross-channel activity and interactions. How can companies effectively leverage these insights?

Peppers: It's vitally important to remember the four-word definition of CRM: treat different customers differently. CRM occurs whenever I treat you differently from your neighbor because of what I think I know about you.

Customers are different in several ways, but it boils down to two primary characteristics: They have different needs and their value to you is different. Some customers are worth more, some are worth less. But to truly treat different customers differently, you have to treat each customer in a way that reflects everything you know about that customer. You want to be able to optimize your business around one customer at a time. Not around the average customer, but around each different customer.

For example, a visitor comes to your website. Your site can serve that visitor any one of a number of different images, messages, or offers, based on what you know about that customer. Using computers and databases to access customer data, companies can focus on one customer at a time and try to meet as many of that customer's needs as possible—as personally as possible—over the lifetime of the customer's patronage. So, instead of optimizing your business around the product, you're optimizing your business one customer at a time.

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What are some ways companies can use CRM tools to gain deeper insights about customers, and then use that information to strengthen loyalty?

Boxer: One of the key advantages of leveraging a CRM platform is that you have one centralized place to track and manage customer interactions. When do customers compliment you? Why do they complain about you? Do they react to the offers you send? That information needs to be captured and analyzed so that companies can make sense of it and meet customer expectations, creating an in-house cross-channel profile of the customer.

To us, e-commerce is a channel. It's an extension of how customers engage and interact with you, not something separate. By delivering integration between your e-commerce platforms and your CRM platforms—even "searchandizing" platforms like Oracle's Endeca—you start to create this rich picture of what's going on with your customers for actionable insight.

Loyalty programs are an interesting extension of CRM to track, monitor, and engage with customers. When customers sign up for a loyalty program, they're saying, I'm giving you permission as a brand to understand my behavior on a one-to-one basis, not a one-to-many basis.

When loyalty programs are done right, they're a great tool for businesses to understand their customers' behavior. How did Amazon know that Don had already purchased that book? It captured that transaction. The company is tracking and understanding what he's doing so it can recommend the next best action appropriate at that time.

How else can companies use customer insight to build loyalty?

Peppers: The more you interact with customers, the more intimate, friendly, and familiar they are with your brand, the more trusting and loyal they're likely to be. Good service doesn't necessarily mean customers will be loyal, but bad service does correlate with loyalty reductions. If I interact with you and tell you how I like something or don't want something, I'm giving you permission to customize that service to me. The more I tell you, the more history we have together, and theoretically, the more sense it makes for me to remain loyal to you.

I know for a fact that about 50 percent of the time, if I work hard, I can find a book on the Internet that's cheaper than what I can get it for on Amazon. I never do that, and my suspicion is that most loyal customers don't. Martha Rogers and I call that a learning relationship. The more knowledge you have about a customer's interactions, the more loyal you can make that customer.

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> *—Don Peppers, Founding Partner, Peppers & Rogers Group*

Openness is a proven approach to loyalty programs. Loyalty points act as a form of currency, which can be exchanged for products and services. For customers these points are like money, and are much more useful when customers can use them outside your system for different purposes.

Boxer: We always talk about the unification of data. It's one thing to integrate point to point, but you have to be able to integrate the data to create a personalized, relevant experience. The more businesses understand and deliver on that, the more customers will trust them and remain loyal. Companies are especially challenged to hold onto customers these days. We're always looking for the quick hit: Put an offer out and drive transactional volume. Loyalty is the exact opposite of this—it's built over time by delivering personalized, highly relevant experiences so customers want to return again and again.

How can companies better leverage integrated marketing, loyalty, and e-commerce programs to deliver a more consistent, relevant, and personalized customer experience?

Boxer: What customers do on an e-commerce site is as important as what they do in the call center, but companies don't put as much effort into getting insight from e-commerce interactions. An e-commerce platform is focused on transactions, whereas a web-experience platform is focused on engagement experience. All of that has to be pulled together to get useful insight into what's going on with your customers and how they engage with you. Nothing is more annoying than when a brand doesn't get that. Two companies that connect the dots are Starbucks and Qantas.

A few years ago Qantas realized it was sitting on rich information based on its frequent flier program membership. The airline wanted to capitalize on it by extending the experience so the relationship continues beyond a flight. Qantas came up with the concept of micro-loyalty clubs. The airline invited frequent fliers to sign up for a food club where they attend tastings with celebrated chefs in Australia, and wine clubs where they can sample celebrated wines from the country. These customers feel they're getting great benefits, in addition to meeting other frequent fliers. Qantas then gets phenomenal feedback about the food offered during these fancy food and wine tastings, which then impacts its in-flight food and wine selections. Most important, if you liked a particular wine at one of the tastings, you are then directed to an e-commerce platform where you can purchase that wine, completely closing the loop with the company and customer.

Starbucks is also doing something remarkable. Buying coffee is typically a cash business, so the company started its loyalty program because it didn't have an understanding of who its customers are. Three or four years ago, Starbucks chairman, president, and CEO Howard Schultz started to

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feel the pinch of competitors coming into the marketplace, specifically McDonald's, which started to undercut Starbucks on price. So the company launched a simple, but successful, loyalty program: Make 15 transactions and you get a free coffee. Then Starbucks wanted to connect its point-of-sale system with its mobile and e-commerce platform. Now customers can download the Starbucks app, scan it at the point of sale, and the transaction is recorded in real time, which links that information to their loyalty program profile. The company is also looking at how to leverage this data to serve customers differently so it can meet the demands and requirements of all those who visit every day.

How might companies use social and mobile channels to engage effectively with customers and help strengthen loyalty?

Peppers: The first thing to remember about social is that it's personal—human being to human being. For companies to be able to engage customers effectively, you have to put on a human face while empowering employees to speak on behalf of the company. What's most important is that you treat customers the way you would treat a friend. You can earn friendship, but you can't buy friendship. If you want to earn a customer's trust and friendship, expose your own vulnerability. Make apologies when mistakes are made.

Can you cite examples of leading companies that are taking innovative steps to use multichannel customer intelligence to help strengthen customer loyalty?

Peppers: I was recently traveling on JetBlue from Florida to New York, but my 6:00 a.m. flight didn't take off until 12:30 in the afternoon. As you can imagine, everybody was pretty miffed by this. What I was impressed with was that when we landed, JetBlue staff handed each passenger a copy of the airline's Customer Bill of Rights. Under the Bill of Rights, passengers on this delayed flight are entitled to a free round trip on JetBlue that they can claim anytime. And they don't have to do anything because JetBlue will go into its database and automatically put the credit in the customers' flight bank. That, to me, is a really good example of a company using data to make life simple for customers.

Boxer: Southwest Airlines has also done something quite revolutionary. Originally, its loyalty program was very simple: Fly 16 segments anywhere in the U.S. and get a free flight, regardless of distance. But the airline wanted to drive additional top-line revenue, while capitalizing on the business market. So, Southwest adjusted its loyalty program: Every time you fly, the airline takes into consideration the fare class you purchased and the ticket price paid. Now you are motivated as a buyer that if you pay more you earn more. It's a great example of a company that's taken innovative steps to drive organizational goals by using loyalty as a lever. Southwest clearly doesn't see loyalty in its frequent flier program as a standalone, but as an integral part of its business that helps to drive bottom-line results. ■

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