

# the **loyalty** guide 4

... the whole of customer loyalty, engagement and profitability

## Volume 4

A short sample from Chapter 11:

*Loyalty Metrics*

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This sample is intended simply to show you the level of detail and kind of materials covered in *The Loyalty Guide 4*.


This sample is **not** a complete chapter, and it does **not** start at the beginning of the chapter. It is merely a randomly selected example of the contents of the full report.

To help you see what else is covered in the report, we have also included the report's complete **Table of Contents** at the end of this document.

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# the **loyalty** guide

... the whole of customer loyalty, engagement & profitability

**Volume 4**

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*1st Edition*

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## From Chapter 11 - Loyalty metrics...

The business case for any loyalty programme needs to be well supported and justified, not only in the planning stages but on a continuing basis after implementation, and during development. The application of solid mathematics, statistics, and scientific measurement is the only way to prove the effect the programme is likely to have on profitability and the customer base. And the application of regular and meaningful management reporting is the only way to monitor all the factors involved both before and after implementation of the programme.

A study among marketing executives by *VisionEdge Marketing* [[www.visionedgemarketing.com](http://www.visionedgemarketing.com)] found - not surprisingly - that measuring marketing efforts continues to be a top priority, although a worrying 86% of respondents reported being dissatisfied with their current ability to measure and track marketing performance. This was a significant increase over the previous year's survey (in which only 77% were dissatisfied). Processes and training were cited as key ingredients for improving the state of marketing metrics but these were also heavily under-funded, with only 9% saying that metrics training was among their top three training priorities. More worryingly, 60% of marketing executives had no budget set aside for training their teams on the use and application of marketing metrics. The survey also observed a wide gap between marketing metrics that were expected to be used and the processes that were actually in place to measure them: Of the 71% of marketing executives who cited 'market share' as the most important metric, only 50% actually had an established process to track it.

So, every aspect of the creation of a loyalty marketing initiative - or of any differentiated marketing initiative - must be evaluated at all stages, and useful metrics must be implemented with proper processes and controls to help determine the success, failure, progress or stagnation using preset standards. In this chapter we examine the detail and practical workings of the necessary formulae, calculations, metrics, and management reporting tools that every marketer needs during the process of evaluating new and ongoing loyalty marketing initiatives.

### 11.1.1 How to measure customer loyalty successfully

There are several ways to measure customer loyalty reliably but the process requires a holistic approach, according to market experts at *Synovate* [[www.synovate.com](http://www.synovate.com)]. While companies are looking for valid and reliable customer loyalty metrics to guide their actions, there is no single survey question that can give you all the answers you need to build a base of passionately loyal customers. Synovate emphasises the need to use metrics that support a company's business strategy, as well as the need to ensure reliability of multi-item metrics, the need to understand the power of emotion in building customer loyalty, and the need to put customer loyalty research to work more effectively.

Metrics can help marketers see potential failures coming, in enough time to be able to address the problems. For example, for companies working with customer satisfaction and loyalty strategies in multiple territories, there is often a strong influence from cultural nuances. Other risks to loyalty programmes' effectiveness include the premature abandonment of a loyalty programme, the need to translate customer loyalty return into a monetary value (and its bottom line impact), and the tracking of emotional drivers of loyalty.

customer-centric metrics can have a strong and useful impact on any business, as long as they're implemented properly. As marketers, we all strive to boost revenue for our companies. However, we sometimes get so caught up in executing campaigns that we fail to really listen to what customers are telling us. Questions we should be asking at every marketing strategy meeting include:

- What do our customers value?
- How do they want to be treated?
- Are we fulfilling their expectations?

- What will happen if they feel they are not being treated properly or having their expectations met?

Happy customers who are willing to recommend your products and services are what drive growth at most companies. They are also what impresses the CEO, the shareholders and the market at large. Unfortunately, many of us are missing out on the most powerful lever we have; understanding what really matters to customers, then applying that knowledge to our marketing campaigns - and to all other customer-facing activities as well. But knowing your customers are happy isn't enough. You need to know if they are loyal or alternatively why they aren't. But how can you measure something as intangible as a customer's feelings towards your company. And is it really worth it?

You can only obtain customer insight if you have an effective way of listening to customers, broadcasting their feedback throughout your company and acting upon it. Deploying a customer-centric metric allows you to spend less time (and money) attracting and retaining customers, and more time planning business strategies that matter.

So what is a customer-centric metric, and why does it matter? Well, businesses today measure almost everything. But the important thing to realise is that looking at profit and loss is no longer enough and it certainly doesn't help tell you why 5% of your customers moved to your competition last year. Customer-centric metrics measure customer loyalty and satisfaction by obtaining real feedback on how satisfied customers are with either a particular transaction with your company or with their dealings with the business as a whole. This level of understanding isn't hard to achieve. There are a number of proven customer-centric metrics out there that really work.

Take for example the *Net Promoter Score*. The Net Promoter Score (NPS) is being used by a number of high profile companies around the world, and has been proven by independent research to be a good indicator of a company's ability to grow by really focusing on its customers. It works by asking customers one simple question: "Would you recommend our company to a friend or colleague?" Based on their answers, customers can be categorised into three groups: Promoters (loyal enthusiasts who tell friends and colleagues about the positive experience they had with your company), Passives (satisfied, but not active enthusiasts) and Detractors (on the verge of leaving and willing to tell anyone who will listen). To calculate a company's Net Promoter Score, take the percentage of customers who are promoters, and subtract the percentage who are detractors. It's that easy. And, according to *Bain & Company* [[www.bain.com](http://www.bain.com)], the Net Promoter leader in most industries grows at more than twice the rate of its competition. Why? Because its customers are actively advocating its products and services to other buyers, taking the risk out of buying decisions.

Where customers are concerned, the key is to act quickly and consistently. Gathering customer feedback should not be limited to an annual satisfaction survey or analysing historical data in your CRM system. This might tell you how your customers felt at one point in time, but it doesn't actually achieve results. You should measure customer attitudes and experience every day and immediately put what you learn in the hands of relevant employees, so that they can take action while it still matters. Companies working with customer-centric metrics grow revenue in this way one customer at a time. They know what is important to their most valuable customers and they invest wisely in areas that will have the highest impact on the bottom line. This level of strategic planning not only helps managers determine where investment dollars will be effectively spent, but also how to classify customers based on their financial value - so that they invest in the things that their most important customers truly care about.

As a marketer, once you truly understand the key drivers of customer loyalty, you can prioritise your activities accordingly. Similarly, sales and service personnel who stay in touch with client responses can detect issues before they become problems, and uncover opportunities for increasing sales.

The main impact customer-centric metrics can have on your business also depends on how you use the information you receive. The metric, the discipline or thinking behind it, and the applications to keep it running need to be utilised to achieve the best result. Remember, the objective isn't merely to delight customers, but to turn them into loyal promoters - customers who buy more and who actively refer friends and colleagues.

For example, a leading global business consulting and managed services firm has increased its customer retention to 95% by putting these processes in place. It is a prime example of a company which has put its metrics to good use and has reaped the benefits. This company continually gathers customer feedback across multiple touch points, and delivers the information to C-level executives, account managers, project managers, support staff and other employees throughout the company. It's valuable information for tactical reasons such as fine-tuning customer recovery efforts, and strategic reasons such as informing the account planning process. By understanding what each client values - and sharing that knowledge among risk and quality management, key account training, and other areas of the organisation, it expends less effort on customer retention and more on building strong customer relationships, to its own financial benefit. It therefore spends less money retaining customers because staff can immediately react before a problem turns into the loss of a customer.

Customer acquisition programmes become more effective as you develop an understanding of who your best customers are and what it is that they like about doing business with you. Every minute of every day, customers interact with your company. Unless you can keep your finger on that pulse, you will never have effective marketing, sales or service programmes. And you will continue to see companies that are instituting these metrics pass you by. To do this you need to institute a programme across every employee level of your company, which manages the process from the feedback stage, right through any activity or action to the customer's satisfactory (or ecstatic) completion. By focusing on what creates value for your customers, you will create more value for your company, even as you optimise your marketing strategies and tactics. It's easier and more effective than instigating mass-marketing campaigns and its better for your bottom line.

Finally, don't think about marketing from the inside out, but...

... continued in the full report - see [www.theloyaltyguide.com](http://www.theloyaltyguide.com)

## Also from Chapter 11...

### 11.2.1 Patronage ratio

The patronage ratio works on the same lines as measuring 'share of wallet' (*see Budget Ratio, below*) except that it does not directly consider the amount of money spent by customers. It compares the number of stores available to the customer (in which to purchase specific product category goods during a specific period) with the number of stores (i.e. product category competitors) patronised by the customer during that period.

The main problem with this formula, however, is that it fails to show movements within the pattern of purchases (or within loyalty itself) during the period analysed. For example, one customer may have defected to a competitor part-way, while another customer simultaneously defected from a competitor and joined your clientele. In this scenario, both customers might achieve the same ratio score.

The more positive side of the ratio is that, because it doesn't measure spend levels, this ratio can identify lower value customers as being very loyal, despite the fact that they contribute little to turnover.

In a situation where the customer has no other choice (for example, you are the only hardware merchant within easy driving distance), the score would indicate complete loyalty but would be rather meaningless - the customer may be longing to defect and will do so at the first opportunity.

Formula:

$$P_i = \frac{(n + 1) - p_i}{n}$$

Key to variables:

Source: *The Loyalty Guide 4*

- $P_i$  = the patronage ratio for the  $i^{\text{th}}$  customer
- $n$  = the number of stores available to the customer to purchase product category goods during the survey period
- $p_i$  = the number of stores patronised by the  $i^{\text{th}}$  customer during the survey period

This ratio will produce a maximum value of 1.0 for complete loyalty.

- *Three stores available; shops in one of them therefore ratio = 1.0 (i.e. completely loyal)*
- *Three stores available; shops in all of them; therefore ratio = 0.33*
- *Three stores available; shops in two of them; therefore ratio = 0.66*
- *But: if shopper shops in the only store available; ratio also = 1.0*

### 11.2.2 Switching ratio

This ratio describes the degree of 'switching' between shopping locations (suppliers) for each customer, with a maximum score of 1.0 representing the most loyal customers. It compares the number of successive purchases from one merchant with known purchases from other merchants. As before, the actual spend value is not measured, resulting in a ratio that describes the switching propensity of low- and high-value customers with equal accuracy and weight...

*... continued in the full report - see [www.theloyaltyguide.com](http://www.theloyaltyguide.com)*

#### **Authors' note:**

This report's numerous calculations and formulae are all provided in a downloadable Microsoft Excel spreadsheet, and are also presented in working form after logging into The Loyalty Guide's readers-only web site. These working tools can be used in real time with your own figures to perform 'what if' calculations, and to bring your actual loyalty marketing metrics up to date in a matter of minutes.

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- 7.10.2 Major factors for 'high attraction' rewards
- 7.10.3 Matching the rewards with various point levels
- 7.11 Loyalty reward insights
- 7.11.1 Consumers impatient for credit card rewards
- 7.11.2 Merchant funded rewards take centre-stage
- 7.12 Loyalty reward developments
- 7.12.1 Redemptions boost credit card satisfaction
- 7.12.2 Maritz launches rewards fulfilment service
- 7.12.3 Credit rewards the most friendly consumers
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- 7.13.1.1 Consumers plan to increase coupon usage
- 7.13.1.2 Consumers turned to coupons in the recession
- 7.13.2 The argument for online coupons
- 7.13.2.1 Consumers hungry for internet-printable coupons
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- 7.13.2.4 Coupon web sites more popular with the wealthy
- 7.13.2.5 E-printable coupons help reduce sales fatigue
- 7.13.3 The argument for mobile coupons
- 7.13.3.1 Mobile coupons are gaining in popularity
- 7.13.3.2 Half of m-coupons redeemed by new customers
- 7.13.4 The psychology of coupons
- 7.13.4.1 Coupon response comes from deep subconscious
- 7.13.4.2 Coupons still have an in-store stigma attached
- 7.13.5 Latest coupon developments
- 7.13.5.1 RFID wristband enables coupons and rewards
- 7.13.5.2 Digital coupons go nationwide at Safeway USA
- 7.13.5.3 Food Lion rewards loyalty with coupons
- 7.13.5.4 Stop & Shop and Giant step up couponing
- 7.13.5.5 Starbucks Mexico's m-coupon loyalty scheme
- 7.13.5.6 Electronic couponing guidelines announced
- 7.13.5.7 Inmar helps settle EZ-PIC paperless coupons
- 7.13.6 The argument for vouchers
- 7.13.6.1 Online voucher codes boost retail sales
- 7.13.6.2 Vouchers help counter the retail slump
- 7.13.6.3 NFC vouchers from Vivotech and Eagle Eye
- 7.13.7 The argument for discounts
- 7.13.7.1 Consumers will defect for discounts and BOGOFs
- 7.13.7.2 Cashback more popular than miles or rebates
- 7.13.7.3 Is online loyalty best with a personal discount?
- 7.13.7.4 Discounts weaved into natural search results
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- 8.2.3 How long does data last?
- 8.2.4 Data duplication, accuracy, and cleansing
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- 8.2.5.1 The impact of customer data loss
- 8.2.5.2 The impact of handling data incorrectly
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- 8.2.6 Data ethics policies
- 8.3 The benefits of data collection and analysis
- 8.3.1 How does data turn into loyalty?
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- 8.3.2.3 Customer product preferences and repertoire
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- 8.3.3.9 Examples of how airlines benefit from FFP data
- 8.3.3.9.1 Commoditised airlines see value in loyalty data
- 8.3.3.9.2 How airlines can use FFP data to increase loyalty
- 8.3.4 How data analysis eliminates marketing waste
- 8.3.5 Retailer's loyalty data provides clustered insights
- 8.3.6 Best customers, defectors and win-back
- 8.3.6.1 Early defector detection
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- 8.3.7.4 Differentiated marketing
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- 8.3.7.6 Green targeting to save costs & the planet
- 8.3.7.7 Loyalty based on insights from customer data
- 8.3.7.7.1 Customer insights come from loyalty data
- 8.3.7.7.2 How industry collaboration increases insight
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- 8.3.9 Business intelligence from raw data
- 8.3.9.1 Differentiation based on the use of data
- 8.3.9.2 Data mining software
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- 8.3.9.6 OLAP, MOLAP, ROLAP and Magic Cubes
- 8.3.9.7 Prediction based on past behaviour
- 8.3.9.8 Data mining and analysis tools
- 8.3.9.9 Practical application of business intelligence
- 8.3.9.9.1 High ROI from good business intelligence
- 8.3.9.10 Affinity marketing
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- 8.1.1 The importance of loyalty data collection
- 8.1.1.1 How proper data usage benefits the business
- 8.1.1.1.1 7 ways to gain value from customer data
- 8.1.1.1.2 Customer data is more than just a marketing tool
- 8.1.1.1.3 Loyalty data drives the most relevant offers
- 8.1.1.1.4 How loyalty data translates into better marketing
- 8.1.1.1.5 Nectar's updated data intelligence cuts costs
- 8.1.1.2 How data ignorance harms the business
- 8.1.1.2.1 Companies failing to unlock the value of their data
- 8.1.1.2.2 Marketers still 'flying blind' with customer data
- 8.1.1.2.3 Most consumers will defect over banking data loss
- 8.1.1.2.4 High-tech firms still don't know their customers
- 8.1.1.2.5 Too many companies ignore customer insights
- 8.1.2 Database planning
- 8.1.3 Data processing and data flow
- 8.1.4 Data analysis to support business processes
- 8.1.5 Predictive analytics to drive change
- 8.1.6 Data warehouses
- 8.1.7 Data marts
- 8.2 Data collection: how, where, when, and why?
- 8.2.1 What data can or should be gathered?
- 8.2.2 How much data, and where to collect it
- 8.2.2.1 The application form
- 8.2.2.2 The web site
- 8.2.2.3 Third party sources
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- 9.2 Loyalty platforms
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- 9.2.1.1 Retailers focus on integrating POS & loyalty

- 9.2.1.2 Maritz real-time POS loyalty platform
- 9.2.1.3 A platform-independent retail loyalty system
- 9.2.1.4 Real-time PoS loyalty redemptions in Australia
- 9.2.2 Internet-based loyalty platforms
- 9.2.2.1 Really Simple's white label hosted CRM platform
- 9.2.2.2 Loyalty platform integrates with Facebook
- 9.2.2.3 LoyaltyMatch's hosted rewards platform
- 9.2.2.4 Points.com's B2B loyalty technology
- 9.2.2.5 Carlson Marketing offers PayPal reward options
- 9.2.2.6 SaaS loyalty platform for small businesses
- 9.2.2.7 RewardStream's updated marketing platform
- 9.2.3 Mobile loyalty platforms
- 9.2.3.1 Stick-on RFID drives mobile rewards platform
- 9.2.3.2 Loylogic unveils iPhone app for loyalty redemptions
- 9.2.3.3 Credit digital currency arrives on mobile platform
- 9.2.4 RFID and NFC loyalty technology
- 9.2.4.1 The retail benefits of RFID technology
- 9.2.4.2 Key lessons learned from retail RFID trials
- 9.2.4.3 RFID wristband enables coupons and rewards
- 9.2.4.4 RFID sticker turns cellphones into loyalty cards
- 9.2.4.5 Multiple loyalty cards on a single mobile phone
- 9.2.4.6 NFC loyalty platform provides immediate rewards
- 9.2.4.7 Vivotech & Eagle Eye offer NFC vouchers
- 9.2.4.8 DIY store tracks customers for behavioural analysis
- 9.2.5 Sector specific loyalty platforms
- 9.2.5.1 Infosys helps retailers watch in-store activity
- 9.2.5.2 Sodexo's retail gift card rewards platform
- 9.2.5.3 New loyalty platform for restaurants & retailers
- 9.2.5.4 Virgin Blue's affiliate rewards platform
- 9.2.5.5 GuestBridge's restaurant loyalty platform
- 9.2.6 Other loyalty platforms
- 9.2.6.1 Italy's payment card-based loyalty platform
- 9.2.6.2 A loyalty platform to increase customer engagement
- 9.2.6.3 Xcelerator adds new dimension to loyalty
- 9.2.6.4 New platform offers relationship-building rebates
- 9.2.6.5 IDL's 'loyalty gift card anywhere' platform
- 9.2.6.6 An SKU-based loyalty platform
- 9.2.6.7 A payment card ID-based loyalty platform
- 9.2.6.8 Maritz and Accor Services team up in Europe
- 9.3 Loyalty management
- 9.3.1 Retail loyalty index for the USA
- 9.3.2 Loyalty association launches web-based resource
- 9.3.3 Virtual currencies create a whole new economy
- 9.4 Loyalty data analytics
- 9.4.1 Competitive advantage depends on pattern-spotting
- 9.4.2 Alliance Data opens customer analytics unit
- 9.4.3 Amex markets cardholder spending insights
- 9.4.4 Fly Buys operator extends customer insight
- 9.4.5 The smartest predictive analytics applications
- 9.5 Retail 3.0 customer intelligence
- 9.5.1 Retail 3.0: what it is, and what it means to loyalty
- 9.5.2 Retail 3.0 redefines retail customer intelligence
- 9.5.3 Intelligence-based marketing born from Retail 3.0
- 9.6 Business Intelligence (BI)
- 9.6.1 Differentiating using smarter retail technology
- 9.6.2 Retailers need more data-based insights
- 9.7 Kiosks and self-service tools
- 9.7.1 Kiosks
- 9.7.1.1 Loyalty kiosks improve retail customer relationships
- 9.7.1.2 Retail kiosk payment preferences start to shift
- 9.7.1.3 IKEA's in-store self service loyalty kiosks
- 9.7.1.4 Givex unveils new touch-screen loyalty kiosk
- 9.7.1.5 Kiosks enhance Fresh Grocer's loyalty scheme
- 9.7.1.6 Stop & Shops extend 'scan-and-bag' kiosk initiative
- 9.7.1.7 Qatar adds FFP sign-up kiosks at Doha
- 9.7.1.8 AeroMexico deploys 32 self check-in kiosks
- 9.7.2 Self-service tools and techniques
- 9.7.2.1 Is intelligent self service a future driver of loyalty?
- 9.7.2.2 Poor automated service a major source of churn
- 9.7.2.3 Price and time drive consumers to self-service
- 9.7.2.4 Self-service a growing phenomenon in the US
- 9.7.2.5 Tesco customers benefit from online self-help

- 9.7.3 Points.com (consumer loyalty portal)
- 9.8 Developments in loyalty technology
- 9.8.1 Hotel property management linked to FFPs
- 9.8.2 SCTN loyalty platform gains smarter features
- 9.8.3 Automated marketing to be bigger than CRM?
- 9.8.4 IT guidelines for more agile marketing
- 9.8.5 Sears unveils internet-based 3D fitting rooms
- 9.8.6 The future of customer loyalty POS integration
- 9.8.7 Jeanswest takes loyalty into 'the cloud'
- 9.8.8 Rewards aggregator benefits all loyal Australians

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- 10.2 Communicating loyalty
- 10.2.1 Loyalty scheme messages not engaging enough
- 10.2.2 Consumers talk most about bad experiences
- 10.2.3 Few companies act on customer feedback
- 10.2.4 Marketers encouraged to think psychologically
- 10.3 Mobile
- 10.3.1 Mobile insights
- 10.3.1.1 E-consumers prefer mobiles to PCs
- 10.3.1.2 Mobile marketing success depends on rewards
- 10.3.1.3 Targeting the mobile Hispanic
- 10.3.1.4 Mobile advertising budgets set to increase
- 10.3.1.5 New code of conduct for mobile marketing
- 10.3.1.6 Many consumers want mobile loyalty schemes
- 10.3.2 Mobile developments
- 10.3.2.1 Arby's tests geographical mobile couponing
- 10.3.2.2 2D barcodes on Visa cards enable mobile loyalty
- 10.3.2.3 Ad Infuse's mobile ad network grows by 60%
- 10.3.2.4 SMS adverts appear to be more memorable
- 10.3.2.5 Grassroots movement aims to steer m-advertising
- 10.3.2.6 Bluetooth-based mobile marketing guidelines
- 10.3.2.7 MMA embraces the mobile affiliate marketer
- 10.3.2.8 Germany's own Mobile Marketing Association
- 10.3.2.9 Lowes sends loyalty discounts by SMS
- 10.4 E-mail
- 10.4.1 E-mail marketing
- 10.4.1.1 Driving greater customer loyalty through e-mail
- 10.4.1.2 E-mail marketing best practices for retailers
- 10.4.1.3 Opt-in and opt-out: a practical guide
- 10.4.1.4 Time for marketers to fix the 'report spam' button
- 10.4.1.5 Brands missing loyal connection with e-mail
- 10.4.1.6 Retail e-channel failing at customer service
- 10.4.1.7 Permission-based e-mail boosts retail loyalty
- 10.4.1.8 Permission-based email builds CPG loyalty
- 10.4.1.9 E-mail ROI helps increase marketing budgets
- 10.4.2 E-mail insights
- 10.4.2.1 Drivers and barriers for SME email marketing
- 10.4.2.2 E-mail marketing trends appear positive
- 10.4.2.3 European consumers demand opt-in e-mails
- 10.4.2.4 Permission-based e-marketing under strain
- 10.4.2.5 E-mail deliverability still a marketing headache
- 10.4.2.6 Poor service by e-mail ruins good relationships
- 10.4.2.7 No-reply emails throw away vital consumer insights
- 10.4.3 E-mail developments
- 10.4.3.1 Suggested e-mail marketing guidelines
- 10.4.3.2 Email opt-in may become a legal requirement
- 10.4.3.3 Clash-Media's e-mail lead generation service
- 10.5 Web sites
- 10.5.1 Web site insights
- 10.5.1.1 Factors that drive online consumer reviews
- 10.5.1.2 Web 2.0 helps to boost branding & engagement
- 10.5.1.3 Banks could gain from Web 2.0, if it's done well
- 10.5.1.4 Can honest online reviews increase buyer loyalty?
- 10.5.1.5 The wealthy turn to the web before buying
- 10.5.2 Web site developments
- 10.5.2.1 E-retailers investing more in web interactions
- 10.5.2.2 E-tail spending impacted by 'web stress'
- 10.5.2.3 How 'digital diseases' are damaging e-retailers
- 10.5.2.4 Digital inserts set to provide value both ways

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10.6.1	Social media could boost customer retention
10.6.2	Business value of e-communities yet to be realised
10.6.3	Social search engine launches user rewards scheme
10.7	Word-of-mouth
10.7.1	WOM marketing to be worth US\$3bn by 2013
10.7.2	Loyalty schemes likely to breed 'WOM champions'
10.7.3	Word-of-mouth's impact on customer loyalty
10.7.4	UK clamps down on WOM, and US may follow
10.7.5	Most customer reviews found to be positive
10.7.6	Consumer feedback to expose rogue retailers
10.8	Direct mail marketing
10.8.1	DM timing more important than personalisation
10.8.2	Pitney Bowes' web-to-mail SME marketing service
10.8.3	Online response is critical to direct marketing
10.8.4	UK loyalty operators adopt transpromo marketing
10.8.5	How 'transpromo' can improve on relationships
10.8.6	European firms missing out on statement marketing
10.9	Multi-channel
10.9.1	Tour firm benefits from cross-channel marketing
10.9.2	Combined channels provide best marketing results
10.9.3	Retailers benefit from shifting shopper behaviour
10.10	Kiosks & self-service
10.10.1	Web chat and self service improve e-tail experiences
10.10.2	Brands test in-store digital marketing tools
10.11	Call centres
10.11.1	How contact centres can drive greater satisfaction
10.11.2	Focus on inbound customer contact points
10.11.3	Auto-dialler offers targeted promotions
10.12	Advertising
10.12.1	Advertising's long-term value rediscovered
10.12.2	The success of loyalty-based adverts
10.12.3	iNowTV pays viewers for watching adverts
10.13	Communication insights
10.13.1	Customers threaten defection over communications
10.13.2	Marketers differentiate through customer feedback
10.13.3	List abuse on the increase again

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11.1.2	The importance of customer-centric metrics
11.2	Measuring loyalty - the metrics
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11.2.2	Switching ratio
11.2.3	Budget ratio (share of wallet)
11.2.4	Enis-Paul Index
11.2.5	Retention rate & churn
11.2.6	Customer Lifetime
11.2.7	Net Promoter Score
11.2.8	Attitudinal equity: a powerful brand loyalty metric
11.3	Customer Lifetime Value
11.4	Practical statistics
11.4.1	The mean
11.4.2	The median
11.4.3	The mode
11.4.4	Variance
11.4.5	Standard deviation
11.5	Customer Lifetime Value (CLV/CLTV)
11.5.1	CLV is vital for strong customer relationships
11.5.1.1	Calculating the cost of keeping the customer
11.5.1.2	Four ways of improving customer profitability
11.6	How to calculate customer profitability
11.6.1	Individual customers and customer groups
11.6.2	Potential, existing, and defected customers
11.6.3	Past, actual, and future profitability
11.6.4	The RFM method
11.6.5	The CLV method
11.7	Calculation of CLV
11.7.1	The history of CLV
11.7.2	Definition of CLV

11.7.3	The formula for CLV
11.7.4	General concept of CLV
11.7.5	Understanding the concept of CLV
11.7.6	Examples of calculation of CLV
11.7.7	First CLV and Second CLV
11.7.8	CLV on both customer loyalty and satisfaction
11.7.9	The Historic CLV method
11.7.10	Predictive CLV method
11.7.11	CLV as basis of strategy decisions
11.7.12	Market strategy and CLV
11.7.13	Case: Danish insurance company
11.8	CLV models and marketing ROI models
11.9	How to get started with CLV
11.9.1	Can any organisation use CLV?
11.9.2	The objectives of calculating CLV
11.9.3	The ten steps
11.10	Loyalty and profitability in both theory and practice
11.10.1	Alternatives to an investment in customer loyalty
11.10.2	Loyalty and profitability: a hypothesis
11.10.3	Are generally accepted hypotheses always reliable?
11.10.4	Examples of loyalty and profitability models
11.10.5	Defining loyal & profitable customers
11.10.6	The loyalty & profitability chain
11.10.7	Customer retention, attrition and lifetime
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11.11.1	Drivers of loyalty & profitability
11.11.2	Examples of correlations
11.11.3	Real loyalty, customer lifetime, and profitability
11.12	Net Promoter Score (NPS)
11.12.1	How the Net Promoter Score works
11.12.1.1	Four key elements of the Net Promoter discipline
11.12.1.2	NPS versus customer loyalty: the ongoing debate
11.12.2	The NPS process
11.12.2.1	NPS book explains the process practically
11.12.2.2	NPS reveals increasing focus on customer retention
11.12.2.3	NPS benchmarks cross-cultural B2B firms
11.12.3	NPS developments
11.12.3.1	Consumer Contact promotes NPS
11.12.3.2	Virgin Media uses NPS to seek loyalty
11.13	Other marketing metrics
11.13.1	Metrics set to prove marketing's real value
11.13.2	Marketing still lacks performance metrics
11.13.3	Focus on cost per sale, not cost per lead
11.13.4	New digital marketing metrics suggested
11.13.5	Loyalty index measures customer commitment

## 12 Loyalty reporting

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12.2	Management reports and tools
12.2.1	The Bath tub report
12.2.2	The Decile report (RFM/RFS)
12.2.3	The Quo Vadis Retention report
12.2.4	The New Member Frequency Report
12.2.5	The Cardholders' Summary Report
12.3	RFM segmentation
12.3.1	Traditional: 125 cells
12.3.2	Reduced: 27 cells
12.3.3	Flexible: 8 cells

## 13 Loyalty's human aspect

13.1	Introduction
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13.2.1	Human factors driving customer loyalty
13.2.1.1	Older workers key to older customer loyalty
13.2.1.2	Are personal relationships a model for loyalty?
13.2.2	Changes needed for a better loyalty strategy
13.2.2.1	Loyalty scheme fatigue reaches a new level
13.2.2.2	Marketers missing the highest earning demographic
13.2.2.3	The time has come to rethink loyalty strategies
13.2.3	The impact of the customer experience on loyalty
13.2.3.1	Being 'touchy feely' increases customer loyalty

13.2.3.2	When great service can beat a loyalty scheme
13.2.3.3	Making or breaking the emotional loyalty bond
13.2.3.4	The management of customer experiences
13.2.4	The impact of social trends on customer loyalty
13.2.4.1	The impact of social trends on relationships
13.2.4.2	CEOs turning to customer & employee retention
13.2.4.3	The forthcoming breakdown of consumerism
13.2.4.4	How to address the consumer attention deficit
13.2.5	Human factors driving consumer choices
13.2.5.1	Aspiring consumers' main motivators
13.2.5.2	Factors influencing wealthy women's retail habits
13.2.5.3	Delighted customers aren't always the most loyal
13.3	The human side of employee loyalty
13.3.1	Keep the staff loyal and the customers will follow
13.3.1.1	It's the employee's attitude that counts
13.3.1.2	Four ways to keep good employees engaged
13.3.1.3	Employee engagement affects the bottom line
13.3.1.4	Communication beats pay for keeping staff loyal
13.3.1.5	Recession strains employee loyalty and ethics
13.3.1.6	Top ten ways of retaining staff in 2010
13.3.2	Employee loyalty developments
13.3.2.1	Workplace wellness schemes build staff loyalty
13.3.2.2	The power of personal messages
13.3.2.3	Prepaid employee incentive cards
13.3.2.4	Employees reveal truths about their brands
13.3.2.5	Corporate Rewards offers musical redemptions
13.3.2.6	Grass Roots' updated employee reward portfolio
13.3.2.7	Holiday bonuses no longer boost employee loyalty

## 14 Loyalty through social media

14.1	Introduction
14.2	Social media loyalty strategy
14.2.1	Social web's customer loyalty impact turns viral
14.2.2	Social CRM heralds new generation of customers
14.2.3	Social media now vital to customer dialogue
14.3	Social media engagement strategy
14.3.1	Social media is the new engagement frontier
14.3.2	Social media's new rules of engagement
14.3.3	Social media's role in customer engagement
14.3.4	Social media improves customer engagement
14.4	Social media marketing strategy
14.4.1	How to measure social media marketing
14.4.2	Social media marketing to grow in 2010 and beyond
14.4.3	Social media and personalisation are essential
14.4.4	Social Media Marketing Council opens doors
14.5	Social media insights
14.5.1	Social media to steal budget from online advertising
14.5.2	Social sites not really helping B2B marketing
14.5.3	E-retail problems shared with peers, not brands
14.5.4	Social media overlooked for consumer evangelism
14.6	Social media tools
14.6.1	Sentiment Analysis offers social media insight
14.6.2	Social media and word-of-mouth ethics guidelines
14.6.3	An online social network just for marketers
14.6.4	Loyalty platform integrates with Facebook
14.7	Social media developments
14.7.1	Social network awards gift cards for engagement
14.7.2	Retailers increasingly turning to Facebook
14.7.3	Social site helps companies address dissatisfaction
14.7.4	Taking the customer community opportunity
14.7.5	SPG comes to iPhone, Twitter & Facebook
14.7.6	Chase partners with Facebook for charity votes

## 15 Loyalty to brands

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15.2.2	Study links brand loyalty to customer care
15.2.3	Consumer values are key to brand loyalty
15.2.4	How brands can empower loyal customers
15.2.5	Four CPG strategies to maintain brand loyalty

15.3	Brand marketing strategy
15.3.1	Four keys to better brand experiences
15.3.2	Brands invest in loyalty instead of offers
15.3.3	Brand protection favoured during hard times
15.3.4	Eight rules for brand marketing in China
15.4	Branding best practices
15.4.1	Five brand-building strategies and best practices
15.4.2	Brands expected to help customers 'find the value'
15.4.3	How to keep a brand alive in a weak economy
15.5	Successful brand strategies
15.5.1	How to protect the brand during a downturn
15.5.2	Customers seek greater brand customisation
15.5.3	Brands beat multiples with shared intelligence
15.5.4	Promotional e-mail boosts brand loyalty
15.6	Factors behind brand loyalty
15.6.1	Brand loyalty more important to teenage consumers
15.6.2	One in four consumers is less brand loyal today
15.6.3	Brand names important to consumers in downturn
15.6.4	Most consumers will swap brands for a good cause
15.6.5	Mothers defect from pushy and unhelpful brands
15.7	Brands and their reputations
15.7.1	Top brands (USA)
15.7.2	Most trusted brands (Canada)
15.7.3	Top computer industry brands
15.7.4	IBM passes Microsoft in brand rankings
15.7.5	Coca-Cola still has the most brand power
15.7.6	Fakes increasingly damaging brand trust
15.8	Brand marketing insights
15.8.1	Brand engagement comes from tightened belts
15.8.2	Brands benefit from the 'certainty principle'
15.8.3	Retailers still need better brand communication
15.8.4	Brands missing a more loyal connection via e-mail
15.8.5	Battle grows for online brand reputation
15.8.6	Brand Keys launches Spanish brand loyalty index

## 16 B2B loyalty

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- 19.2.3 Robert Passikoff, Brand Keys  
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- 19.2.4 Luc Bondar, Carlson Marketing Worldwide  
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- 19.2.5 Terry Vavra & Douglas Pruden, C.E.P.  
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- 19.2.6 Linus Gregoriadis, E-Consultancy  
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  - 29.3.3 Atlanta's loyalty programme for recyclers
- 29.4 Other non-profit loyalty initiatives
  - 29.4.1 The Broccoli Project (helping the poor)
  - 29.4.2 LoyaltyMatch's non-profit online fundraiser
  - 29.4.3 Small non-profits turn to affinity credit cards
  - 29.4.4 UK offers retail loyalty points as health incentive

## 30 Loyalty in other sectors

- 30.1 Introduction
- 30.2 Loyalty to print & broadcast media
  - 30.2.1 Book store loyalty
    - 30.2.1.1 Angus & Robertson's book loyalty scheme
    - 30.2.1.2 Newspaper & magazine loyalty
      - 30.2.2.1 Parenting Group's new subscriber loyalty scheme
      - 30.2.2.2 UK daily papers' cashback shopping scheme
      - 30.2.2.3 Conde Nast's revamped e-shopping rewards
  - 30.2.2 Radio loyalty
  - 30.2.3 Loyalty to technology suppliers
    - 30.2.3.1 Packard Bell's relationship strategy
    - 30.2.3.2 Charter's subscriber rewards programme
- 30.3 Loyalty to healthcare providers
  - 30.3.1 Virgin HealthMiles' e-shopping rewards mall
  - 30.3.2 Health provider's rewards scheme
- 30.4 Eco-loyalty initiatives
  - 30.4.1 UK-based green loyalty scheme reaches America
  - 30.4.2 UK's Green Rewards programme
- 30.5 Other loyalty initiatives
  - 30.5.1 PetSmart's rewards credit card
  - 30.5.2 Oak Creek Homes' rewards programme
  - 30.5.3 Dream Rewards and Disney offer kids rewards
  - 30.5.4 Pentagon Pets joins Octopus Rewards
  - 30.5.5 City payment card's instant rewards
  - 30.5.6 Retirement planners' new loyalty scheme
  - 30.5.7 UK cash-back network grows 300% in one year
  - 30.5.8 BSP Rewards powers DubLi's online mall
  - 30.5.9 Play.com's rewards-based credit card
  - 30.5.10 Doc Popcorn launches mobile loyalty scheme
- 30.6 Just Energy extends TruCash rewards to Ontario

## Appendix A - Loyalty supplier directory

- A.1 Suppliers listed by category & country
 

Customer loyalty systems	CRM/BI systems
Customer experience management	Call centres
Developers & integrators	Application hosting
Loyalty scheme operators	POS technology
Data warehousing & data mining	Consultancy
Coupons/gift certificates/incentives	Internet marketing
Direct marketing	Research and analysis
Public relations/media/events	Industry associations
- A.2 Supplier details (190 companies)

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