

Relevance

The marketer's new secret weapon





Today's marketers face greater challenges in driving loyalty with customers. Having more options, higher standards and expectations, and access to more information right at one's fingertips makes it easy for customers to take their business elsewhere.

Instead of relying on loyalty programs, which research has shown does not result in better business performance, marketers must select technology and create internal processes that allow them to better understand the intent and expectations of customers. These insights are the building blocks for creating highly resonant and relevant experiences, campaigns and programs to acquire customers and keep them coming back for more.

Customer loyalty is critical to business success

When boiled down to basics, a marketer's goals and responsibilities are pretty straightforward:

- Acquire more customers
- Retain these customers
- Drive larger, more frequent purchases over time

And these steps are critical towards growing and maintaining your customer base, which is vital towards ongoing business success:

IMPROVING MARKETING RETURN ON INVESTMENT (ROI)

Attracting new customers can cost 5x to 25x as much as keeping an existing one.¹ A customer relationship management program must be effectively managed, lest the promotions, discounts and other costs of acquiring new customers eat away at overall profitability.

GENERATING HIGHER SALES VOLUME

Repeat customers spend 67 percent more than new customers.² This is especially true for customers that you retain over a long span of time, who spend more and purchase more frequently as their incomes grow or they devote a larger share of their wallets to a company they have grown to rely on.³

INCREASING CUSTOMER ACQUISITION THROUGH REFERRALS

Ninety-two percent (92%) of consumers say that they seek recommendations from friends and family when considering a product purchase.⁴ In a piece for the Harvard Business Review, Bain & Co. Director Emeritus Frederick F. Reichheld states, "The tendency of loyal customers to bring in new customers—at no charge to the company—is particularly beneficial as a company grows, especially if it operates in a mature industry... In fact, the only path to profitable growth may lie in a company's ability to get its loyal customers to become, in effect, its marketing department."⁵

¹ Gallo, A. "The Value of Keeping the Right Customers," Harvard Business Review.

² Bain & Co.

³ Reichheld, F. "The One Number You Need to Grow," Harvard Business Review.

⁴ Nielsen's Harris Online Poll, 2016.

⁵ Reichheld, F.

However, customer loyalty is increasingly hard to come by

While acquiring and retaining customers has always come with its challenges, many factors make it increasingly difficult to cultivate the long-lasting relationships with customers needed for ongoing business success.

MORE CHOICES MEANS MORE COMPETITION

Consumers are increasingly presented with more options from which to choose. Approximately 20,000 new food and beverage products are launched each year, and the number spikes to approximately 40,000 for new non-food products.⁶ And a VP of Global Brand Marketing for a multinational toy manufacturing company told us that 80 percent of their SKUs (stock keeping units) turn over every year.

This trend isn't limited to just B2C brands; new B2B brands are coming out of the woodwork at a similarly rapid pace. Compile.com estimates the total number of B2B companies at 5.72 million presently. (Most companies are SMB. Adjusting for revenue and company size, the firm estimates approximately 5,000 to 10,000 enterprise-sized B2B firms.)⁷ Similarly, the Chief Marketing Technologist Blog reports an astonishing 6,829 martech vendors (in 2018) from which marketing professionals can select—a number that has increased 2-3x every year since 2011.⁸

Across all verticals and segments, consumers have more choices and the landscape is becoming more competitive for B2C and B2B brands alike.

⁶ "The Changing Landscape of Consumer Packaged Goods," CB Insights.

⁷ "Sizing the market for US B2B companies in 7 charts," Compile.com blog.

⁸ "Marketing Technology Landscape Supergraphic (2018): Martech 5000 (actually 6,829)," Chief Marketing Technologist Blog.



CUSTOMERS HAVE HIGHER STANDARDS AND EXPECTATIONS

Perhaps due in part to greater choice, consumers are now much less tolerant of slip-ups and misses. A Capgemini study concludes, "Consumers can be fairly ruthless in their pursuit of the experience they want and vote with their wallets if their needs are not met."⁹ The study goes on to report that nearly 1 in 5 consumers stopped purchasing from a company altogether when it failed to provide a positive experience.

A report by the CMO Council paints an even more dire picture: that almost half (47%) of consumers will abandon a brand and take their money elsewhere if they continuously encounter a poor, impersonal or frustrating customer experience across brand channels.¹⁰

And nearly half (47%) of consumers will take to social media to complain about a company, with a whopping 70 percent saying that they call out bad experiences on social media in order to make other consumers aware of the issue.¹¹

Consumers have higher expectations and are increasingly vocal about failures, asserting strong influence over public perception of your brand.

⁹ "The Disconnected Customer: What digital customer experience leaders teach us about reconnecting with customers," Capgemini.

¹⁰ "The Customer in Context, Understanding the Real Expectations of Today's Connected Customer," CMO Council.

¹¹ "Q3 2017 Sprout Social Index," Sprout Social.

¹² Evans, M. "5 Stats You Need To Know About Connected Consumers In 2017," Forbes.com.

¹³ "Micro-Moments: Your Guide to Winning the Shift to Mobile," Google.

TECHNOLOGY MAKES BRAND ABANDONMENT ALL TOO EASY

Just as technology—most notably smartphones—has increased flexibility in nearly all aspects of our lives, it also makes it easier for customers to find new products and brands, gather new ideas, and compare options in order to make informed decisions. In a piece for Forbes.com, Euromonitor International Global Head of Digital Consumer Research Michelle Evans decrees, "...[The] smartphone may be the most disruptive force yet unleashed on the once linear path to purchase. The device's always-on availability is transforming predictable consumer journeys into dizzying twists and turns."¹²

And according to Google research, 1 in 3 consumers has experienced a near immediate change in brand preference: purchasing from a different brand than the one they originally intended because of information they secured from an in-the-moment search for information on their smartphone.¹³

The takeaway: keeping customers happy is an increasingly challenging task for marketers today, due to a more competitive landscape, the heightened expectations from consumers, and the easy access to information provided by technology.

More bad news: traditional customer loyalty methods don't work

It's clear that marketers face a daunting challenge in securing and maintaining loyalty from customers. Moreover, there is data that indicates traditional methods for maintaining customer loyalty are ineffective. A McKinsey study of US retailers shows that those with loyalty programs saw a 2.28 percent sales increase, while those without loyalty programs were posting 4.25 percent gains.¹⁴ That's right: companies without established loyalty programs were seeing better sales performance.

The study surmises one possible explanation: that companies take a "set it and forget it" attitude to programs, assuming (incorrectly) that intermittent perks and awards are sufficient towards keeping customers satisfied and loyal. As such, they don't spend the time or resources to check on and provide the products, campaigns and experiences that are the true drivers of customer satisfaction.

¹⁴ Shaukat, T. and Auerbach, P. "Loyalty: is it really working for you?," McKinsey & Company.

¹⁵ "2016 Loyalty & Rewards Research Study: Retail Trends, Challenges and Benchmarks," Accenture Digital.

¹⁶ Zealley, J., Wollan, R., and Bellin, J. "Marketers Need to Stop Focusing on Loyalty and Start Thinking About Relevance," Harvard Business Review.

Nearly three-quarters (71%) of consumers confirm that participating in loyalty incentive programs doesn't make them loyal at all.

Actual engagement figures lend additional insight on the inefficacy. An Accenture study finds that 58 percent of all loyalty program members are inactive. Somewhat ironically, it would appear that companies running loyalty programs aren't the only ones operating by "set it and forget it"; customers signing up for these programs are doing it too. And membership doesn't preclude a wandering eye: one-third (33%) of program members shop with competitors.¹⁵ Results from a Kantar Retail survey back up this claim, with 71 percent of consumers confirming that participating in loyalty incentive programs doesn't make them loyal at all.¹⁶

Relevance is the marketer's new secret weapon

In a piece for the Harvard Business Review, a group of Accenture researchers concludes that incentive-based loyalty programs are no longer effective because the needs of the market have evolved. Where consumers may have previously responded to rewards that formed the basis of “the ‘loyalty era’ of marketing,” today they seek out brands that are highly relevant to their needs.¹⁷

¹⁷ Zealley et al.

¹⁸ Lerman, K. “The Problem with Loyalty Programs,” Ad Age.

The findings indicate that “[while] loyalty remains important... the future of marketing— and, in the big picture, many businesses—depends on serving a customer’s most relevant needs in the moment.”

An opinion piece in Ad Age comes to a similar conclusion. Katrina Lerman, Associate Director of Research at consumer agency C Space, writes, “Loyalty is fundamentally a relationship-based notion.... It’s still at its heart an emotional and personal connection.... We are loyal to the companies and retailers who show us they understand us through the products they offer and the customer experiences they create. Empathy, intuition, emotional benefits, shared values... these are the attributes of strong and durable relationships, and the very same qualities that ultimately drive meaningful and lasting shopper loyalty.”¹⁸

Relevance, connection and relationship are phrases that connote a similar sentiment: that only a two-way dialogue that takes into account and addresses the needs of both parties can support ongoing happiness and continuous engagement. To be successful, today’s marketers must find better, more effective ways to understand what customers want, identify places where their brands are falling behind, and rapidly communicate priorities and execute changes across all functions that play a part in a brand’s customer experience.



Overcome challenges to provide highly relevant customer experiences

In "Pursuing Customer Relevance in the Digital Age," Harvard Business Review details the biggest impediments to consistently delivering a relevant experience to customers. High on the list: functional silos, cultural resistance or change management, and [lack of] shared definition of how to define relevant experience.¹⁹

¹⁹ "Pursuing Customer Relevance in the Digital Age," Harvard Business Review.

1

FUNCTIONAL SILOS

Though customer experience may be the responsibility of one team, such as marketing, in truth it is influenced by the actions and outcomes of multiple teams across every touchpoint with a brand.

The VP of Global Brand Marketing for a multinational toy manufacturing company told us, "When you add things like reviews that impact other customers, the customer experience becomes more important.... [It includes] how people experience your brand online or in store.... But because it impacts so many different parts of the lifecycle or consumer journey, it is not wholly owned by one group. That is one of the big challenges. There are so many stakeholders involved that ownership is spread over so many places."

The SVP of Retention Marketing and Analytics at a major US-based department store chain echoed this pain point, saying, "To a degree, when it comes to loyalty and messaging, that falls within marketing. When you think about other areas—the website team, product management—they each own a piece of it. Trying to bring that together is challenging."

THE SOLUTION

Marketers need a flexible, scalable solution that allows vital insights and information to be quickly collected and easily shared with the many teams connected to customer experience. Additionally, teams often speak different "languages," with different goals and success metrics. A solution must unite these disparate groups, helping everyone hone in on and effectively prioritize the improvements that drive highly customized and satisfying experiences.

2

CULTURAL RESISTANCE OR CHANGE MANAGEMENT

It is common for teams to operate by a set of principles, and it often takes a bold vision or strong evidence to change ingrained ways of thinking and doing.

The team at [Autotrader](#) held long-standing assumptions about brand loyalty and the customer journey towards automobile purchase. Bradley Miller, Autotrader Senior User Experience Researcher, notes, "There was an institutional perspective about the kind of influence third-party automotive classifieds sites like Autotrader have on car shoppers, and therefore, we developed products and experiences around that perspective."

This challenge also rang true for the VP of Global Marketing for a Silicon Valley-based consumer technology company: "My challenge [is] not being able to provide a hard data point for the skeptics. All you need is one sales guy saying, 'I don't know... I can sell this other thing.' CEOs listen to the sales guys because they generate the revenue. You don't have a track record yet for the new businesses you want to invest in."

THE SOLUTION

Greek philosopher Heraclitus put it best: change is the only constant. To remain on the cutting edge, marketers must constantly identify and share clear and incontrovertible evidence that a new and better way exists to satisfy customer needs. Gathering customer insights on a regular basis, and in a clear and explicable format, is critical towards securing buy-in and helping to move teams in a new and more suitable direction.



3

[LACK OF] SHARED DEFINITION OF HOW TO DEFINE RELEVANT EXPERIENCE

At fast moving companies, activities are often spread out or teams are spread thin. The result is a lot of activity, without a plan towards achieving a strategic outcome.

At [Walmart Canada](#), the team was running tests on their ecommerce site in a scattershot manner. This was resulting in team burnout and a failure to make improvements that had longer term benefits. David Raine, Manager of Site Optimization for Walmart.ca, states, "We were looking at our tests individually and independently and we didn't have a North Star to figure out, as a whole, 'Is this still the experience we want to drive for our customers?'"

The VP of Global Marketing for a Silicon Valley-based technology company made a similar comment: "The company is doing a hundred initiatives a year and I can support only four or five of these things in marketing. I have to make that sort of decision. I need evidence to support the decisions I make."

THE SOLUTION

The first step towards creating highly relevant experiences is to first identify what that entails. As explained by Liz Miller, Senior Vice President of Marketing at the CMO Council, "Today, the differentiator... [is] having the insight and intelligence to know where, when and how a customer expects to be greeted with value and relevance."²⁰

For a marketer, gathering customer insights can run the gamut: starting with discovery interviews to understand the pain points not yet addressed by products in the market all the way to uncovering the unique messaging and positioning that most resonates with consumers. This customer intelligence serves as the basis for prioritizing subsequent activities, ensuring that resources are applied towards an established plan with the greatest possibility for success.

²⁰ "The Customer in Context, Understanding the Real Expectations of Today's Connected Customer," CMO Council.

Select technology and tools that will support your success

Finally, over one-third (35%) of respondents indicated that outdated technology is the biggest impediment to consistently delivering relevant experiences to customers.²¹ Marketers today have a wealth of options from which to gather information about customer experience, spanning data and analytics to social “listening” tools and others.

²¹ “Pursuing Customer Relevance in the Digital Age,” Harvard Business Review.



Creating content and experiences is not analytics. It's having a rich and compelling understanding of who your target customer is."

- VP OF MARKETING FOR AN
AMERICAN WORLDWIDE MASS
MEDIA CORPORATION

Marketers should always keep in mind that customers are not defined by finite data points and that relationships with customers are not fully captured by transactions alone. In the words of a VP of Marketing for an American worldwide mass media corporation: “Creating content and experiences is not analytics. It's having a rich and compelling understanding of who your target customer is.”

The best relationships are built and strengthened on attention to a partner's needs—and this is no different for marketers seeking to cultivate long-lasting relationships with customers. Best-in-class marketers must select the technology and other solutions that support a direct and thorough view into the heads and hearts of those with whom they do business. Securing this comprehensive understanding of customer intent and expectations—quickly and easily—is the vital starting point for marketers as they design successful and truly relevant customer experiences, including highly resonant messaging, campaigns, programs and promotions.

About UserTesting

UserTesting enables every organization to deliver the best customer experience powered by human insight. With UserTesting's on-demand Human Insight Platform, companies across industries make accurate customer-first decisions at every level, at the speed business demands. With UserTesting, product teams, marketers, digital and customer experience executives confidently and quickly create the right experiences for all target audiences, increasing brand loyalty and revenue. UserTesting has over 1,200 subscription customers including half of the world's top 100 brands, and has delivered human insights to over 35,000 companies to-date. Backed by Accel and OpenView, UserTesting is headquartered in San Francisco, CA. To learn more, visit www.usertesting.com.



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