MAKING EVERY INTERACTION COUNT:
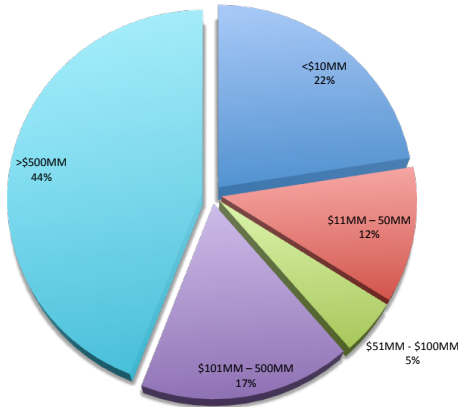
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY
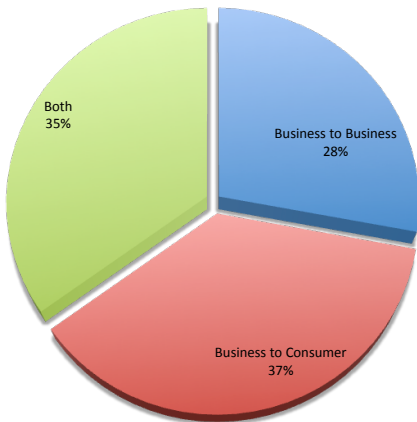
ACXIOM®   loyalty360™
the loyalty marketer's association

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

SNAPSHOT OF THE RESPONDENTS
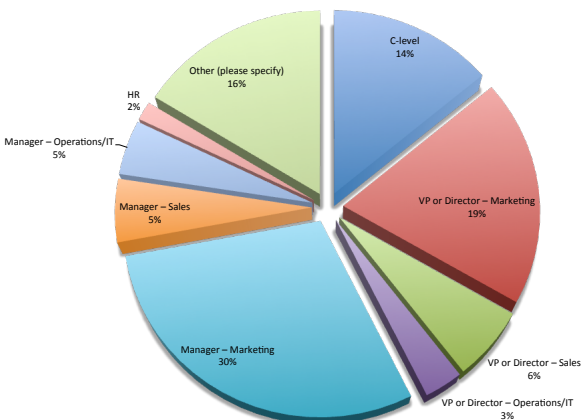
What percentage of your employees are focused on driving retention strategies?

- <$10MM 22%
- $11MM – 50MM 12%
- $51MM - $100MM 5%
- $101MM – 500MM 17%
- >$500MM 44%

What is the focus of your business?

- Business to Business 28%
- Business to Consumer 37%
- Both 35%

Which best describes your role in the company?

- C-level 14%
- VP or Director – Marketing 19%
- VP or Director – Sales 6%
- VP or Director – Operations/IT 3%
- Manager – Marketing 30%
- Manager – Sales 5%
- Manager – Operations/IT 5%
- HR 2%
- Other (please specify) 16%

Customer retention has become a major focus for businesses. Yet, loyalty as a concept is vague, and we are seeing growing interest across a number of channels and verticals within the market to define what "customer retention" means. Does it mean that a customer repurchases? Does it mean that a customer interacts with your brand on social media? Where does advocacy fit into the picture?

Many marketers equate customer loyalty with a points or rewards program, but it is much more than that. Loyalty is and should always be concerned with the behaviors and motivations of the key stakeholders of the brand. There needs to be a realization that all insight and interactions between the brand and customers should be built around a proactive process of matching customers' expectations in terms of needs, wants, aspirations, channel preferences, etc.

There's no denying that the brand/customer relationship has changed. The days when marketers directed the one-way delivery of information (what's referred to as a traditional "push" marketing strategy) are long gone. Given the explosion of social media and the immediate availability of information, customers are now in the driver's seat. Consumers, not brands, choose when, where, how and if they engage with a brand. As a result, virtually all metrics, including esteem and loyalty, are in serious decline.

As these empowered customers become increasingly savvy, marketers need to re-evaluate how they define and build customer loyalty. The issue, according to a recent survey of 129 marketing executives conducted by Loyalty 360—The Loyalty Marketer's Association on behalf of Acxiom, is that although marketers know they need to focus better on customer retention, they aren't doing it.

Every customer interaction—at every touch-point—with your brand can unleash a treasure trove of insight and intelligence on how best to build relevant, more intimate relationships between you and your customers. Learning about your customers across these interactions and using that behavioral and transactional data to inform more relevant, personal and meaningful customer experiences is the key to building and maintaining strong, long-term customer relationships. This is because analyzing, interpreting and gleaning intelligence from that data gives you the rich insight necessary to understand a customer and how to create the behaviors that move them toward your brand. Likewise, the brand will recalibrate intelligently based on what the customer does or doesn't do in order to take the optimal next step that strengthens the relationship with that customer. As Jack Welch, former Chairman and CEO of General Electric, states, "An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

To get a clearer picture of where marketers are and where they need to be going, Acxiom/Loyalty 360 took a closer look at the customer retention strategies companies are using, especially singling out the role that data and analytics play in these customer retention initiatives. We polled executives in both B2B and B2C companies from a cross section of industries to take a deeper dive into these strategies and gauge how brands are using customer data. The results provide keen insight into the types of data brands are collecting, where and how they're collecting it and the challenges they must overcome to enrich their loyalty methodologies.

IN FEBRUARY 2012, LOYALTY 360 SURVEYED 129 EXECUTIVES.
SOME KEY FINDINGS HIGHLIGHTED IN THIS PAPER INCLUDE:

- The vast majority (84.5%) use customer retention marketing strategies. Barely half (48.8%) believe their strategies are working.
- Less than half (49.6%) know their best, most loyal customers.
- 70% admit less than 20% of their employees focus on retention while a similar 60% spend less than 20% of their marketing budget on retention.
- The biggest impediments to collecting customer insight are budget limitations (52.2%), lack of IT support (48.9%) and lack of the right tools (47.8%).
- 57.4% will increase retention marketing spend over the next two years.
- Most (63.0%) evaluate their customer retention efforts on a monthly basis; 51.1% evaluate quarterly and 45.7% annually. 5.4% admit they do not evaluate their customer retention efforts at all.
- Rewards programs (65.2%), social media (65.2%), and 1:1 marketing strategies (64.1%) are most often used for customer retention.
- RFM (recency, frequency, monetary value) and customer lifetime value are used most often to measure customer retention, with 64.1% and 51.1% respectively.
- 40.2% of companies access data individually through different lines of business, while just 34.8% report their data is centrally located with universal access.
- The numbers are similar between those who do (41.3%) and those who do not (43.5%) aggregate data in order to form insights that capture a holistic view of their customer; the remainder (15.2%) were unsure.
- The majority (80.4%) of respondents collect data to evaluate program performance. Other reasons include campaign segmentation (68.5%) and triggering 1:1 communications (51.1%).
- Marketers would like their analytics models to understand and improve customer attitudes/behavior (58.7%), brand affinity (45.7%), propensities (41.3%) and channel preferences (41.3%)
- Respondents claim the most important outcomes of data insight are better understanding of customers' attitudes and behavior (31.5%) and improving the customer experience (25.0%).

MAKING EVERY INTERACTION COUNT:
## HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

In an era of connected consumers, empowered with unlimited choice and information, brands and loyalty are under assault. Brands that invest in unique consumer insight will speak directly to consumers' short and long-term desires, life experiences and expectations. Continuously honing multi-dimensional insight helps to identify those at risk of attrition, and works to increase mindshare and profit by offering the products and services your customers want while nourishing sustainable, profitable customer relationships.

A SNAPSHOT OF CUSTOMER LOYALTY TODAY

Consumer access to information about companies, products, pricing, availability and satisfaction has had an impact on how they shop and buy. It's been great for consumers, but terrible for brands. Every brand metric—awareness, favorability and trust—are down. And there's no denying that loyal customers drive business success.

- Bain Consulting found the average company loses 20-40% of its customers every year. Reducing customer attrition by a mere 5% can improve a business's bottom line profits by 25-85%. Similarly, increasing customer loyalty by 1% is equivalent to reducing costs by 10%.
- The Center for Retail Management at Northwestern University concluded that 12-15% of a business's most loyal customers contribute 55-70% of the company's total sales.

Does your company use retention marketing strategies?

No
16%

Yes
84%
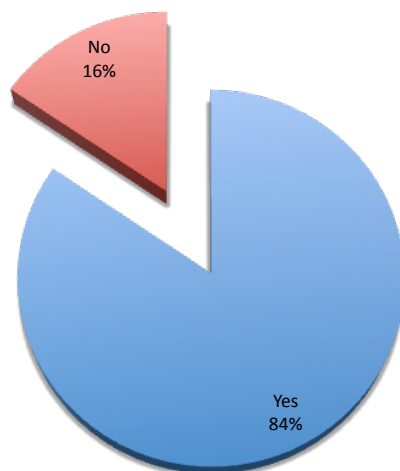
**"LOYALTY IS EARNED WHEN BRANDS MEET—
AND ULTIMATELY EXCEED—
CUSTOMER EXPECTATIONS IN TERMS OF THEIR NEEDS, WANTS AND DESIRES.**

AS THESE EXPECTATIONS ARE IN CONSTANT FLUX, USING DATA AND ANALYTICS INTELLIGENTLY GIVES YOU THE INSIGHT YOU NEED TO CONTINU-OUSLY AND EFFECTIVELY FINE-TUNE YOUR MARKETING EFFORTS TO BEST ENGAGE YOUR KEY STAKEHOLDERS."

**—MARK JOHNSON,
CEO OF LOYALTY 360**

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

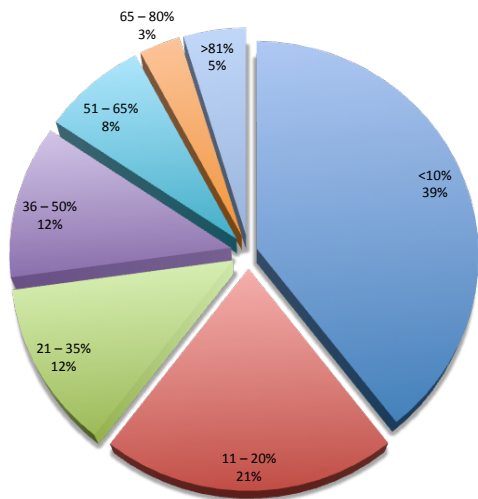Do you think your retention strategy is working for you today?
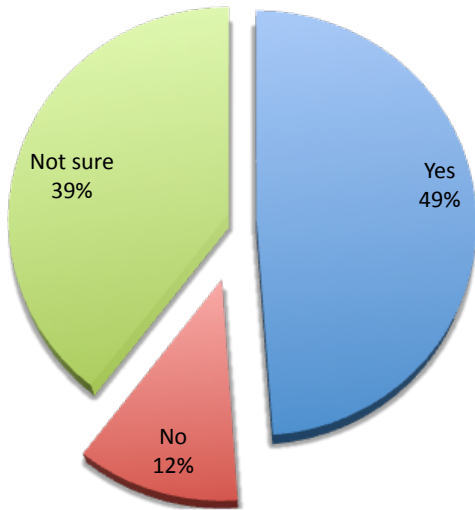
Given these statistics, it's not surprising that the vast majority (84.5%) of respondents use retention marketing strategies. However, what is eye-opening is that only less than half (48.8%) believe their strategies are working; 11.6% don't believe they work at all, while 39.5% aren't sure.

As brands and their loyalty programs are under assault, this ineffectiveness is problematic. Brands cannot afford to waste retention marketing and advertising spend in today's competitive business environment when building and maintaining customer loyalty has never been more important or challenging.

The Accenture 2011 Global Consumer Research Study found that just one in four consumers feels 'very loyal' to their regular brands, while just as many profess no loyalty at all. This is not a surprise since most loyalty strategies are ineffectively designed and consumer participation in a brand's loyalty program does not necessarily guarantee retention. What's more, nearly half (44.0%) of consumers said that their expectations are higher today they there were just a year ago.

IF NEITHER SATISFACTION NOR PARTICIPATION IN REWARDS PROGRAMS DRIVE CUSTOMER LOYALTY, THEN WHAT DOES?

The answer lies in the ability of brands to create a true interactive dialogue with the customer, while effectively using data and analytics to intelligently measure and predict loyal brand advocates. Having access to deep, meaningful customer insights will inform the brand not only what the customer does and how she likes to communicate (i.e. through which channels, how often, etc), but also help understand what she thinks and feels which are the keys to earning her loyalty. Using these voice-of-customer insights in a coordinated effort to create programs that nurture desired behavior is tantamount to brand success.

What percentage of your overall marketing budget is currently dedicated to customer retention strategies?

DOING IT RIGHT: SUCCESSFUL COMPANIES FOCUS ON THE CUSTOMER

Before we get into the crux of the discussion about the role of data and analytics in customer loyalty, we wanted to get a glimpse into the resources companies are devoting to their retention marketing strategies.

While customer retention is a top concern for most organizations, the percentage of overall marketing budgets our respondents devote to customer retention doesn't mirror these priorities. A full 84.4% devote less than half of their overall marketing budget to customer retention, while 39.5% devote less than 10% of their marketing dollars to customer retention.

MAKING EVERY INTERACTION COUNT:
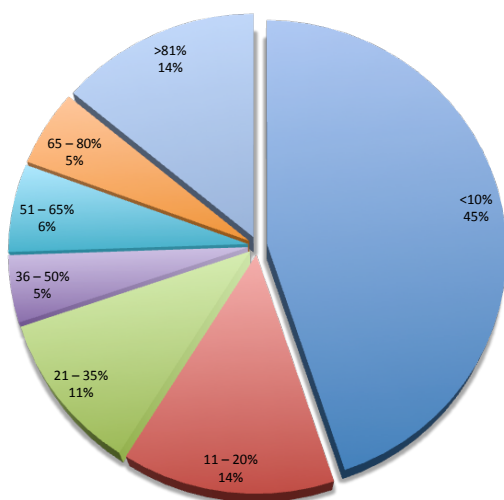## HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

Given the commonly held belief in the 80/20 rule (Pareto Principle)—that the top 20% of customers drive 80% of a brand's sales and profits—learning that 60% of respondents dedicate less than 20% of their marketing budget to customer retention is alarming. Digging deeper into the findings reveals a sign of encouragement: nearly 6 in 10 respondents (57.4%) plan to increase their marketing retention budget over the next two years. Is this is this a sign that nurturing customer loyalty will be an increasing priority? Hopefully, this points to a greater emphasis on prioritizing customer loyalty as Bain found that it costs six to seven times more to gain a new customer than to keep an existing one.

When you think of customer loyalty leaders, companies such as Apple Computer, Starbucks, and Harley Davidson readily come to mind: Visions of HOG members (Harley Owners Group) flocking to the motorcycle rallies in Sturgis, or Apple fans lining up for hours to get their hands on the latest products are easily visualized. These beloved brands achieved their reputations because they devote time, money and energy to making customer retention and loyalty the backbone of their organizations. They have cultivated a strong base of brand advocates through their unwavering focus on creating a company-wide customer-focused culture where all employees and managers focus on customer retention and satisfaction, not just marketers.

We wanted to compare how the management and employees at responding companies are doing with their retention efforts. Most (74.6%) report that less than half of their employees focus on driving retention marketing programs while nearly half (45.0%) dedicate less than 10% of their workforce on these initiatives. Only 14.0% indicate that 81% of their employees focus on driving their firm's retention marketing programs.

This is an area we believe companies need to explore and re-evaluate. All employees need to understand the importance of customer retention and its short and long-term implications on the bottom line. Creating an organization-wide focus on and commitment to retention drives a brand's ability to deliver the level of experience that optimizes customer engagement.

What percentage of your employees are focused on driving retention strategies?

- >81% 14%
- 65 – 80% 5%
- 51 – 65% 6%
- 36 – 50% 5%
- 21 – 35% 11%
- 11 – 20% 14%
- <10% 45%

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

Do you agree with the statement: "I know who my most loyal customers are, and I know the best way to reach out to them and get them to engage with my brand." (choose from 1–strongly disagree to 5–strongly agree)
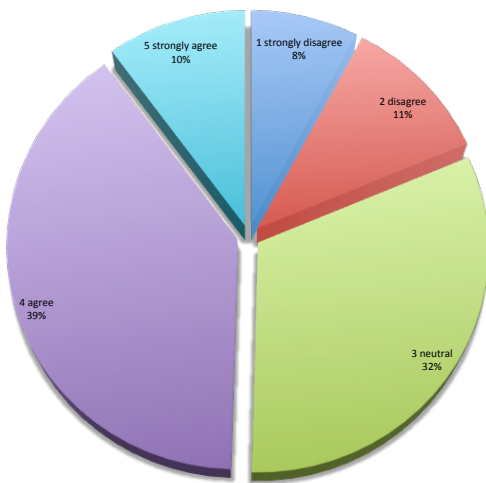
There are a number of key questions companies need to answer in order to create and implement effective customer retention strategies:

WHO ARE YOUR LOYAL, HIGH VALUE CUSTOMERS?

The majority of the respondents to our survey could not answer this question. Less than half (49.6%) of respondents agreed with the statement "I know who my most loyal customers are, and I know the best way to reach out to them and get them to engage with my brand." Only 10.1% strongly agreed.

As Steve Lohr put forth in a recent _New York Times_ article, "Data is a vital raw material of the information economy, much as coal and iron ore were in the Industrial Revolution. But the business world is just beginning to learn how to process it all." Brands need to refine and control multidimensional consumer insight. As with any task that seems ominous, there's no need to boil the ocean. The key is to start small and grow the process organically—and the best place to start is learning the most you can about your most loyal customers.

As they are the key drivers of both repeat purchase and brand advocacy, it's critical to peel back the layers so you can truly understand the needs, wants, expectations and purchase patterns of this group. The better you understand who they are, what motivates them, and how to best reach them and only them, the better you can market to them.

Companies that can connect results to marketing spend drive a higher return on investment. Acxiom's research confirms that understanding the target audience on which to focus can create an additional 10-15 percentage points of margin improvement in the value of a customer portfolio by acquiring and extending more profitable relationships and by reducing investment in less profitable relationships.

HOW DO YOU MEASURE CUSTOMER RETENTION?

As the old saying goes, you can't manage what you don't measure. This certainly holds true with customer retention and loyalty.

Companies that monitor customer retention and analyze its fundamental drivers have a competitive edge. Effectively integrating well-defined metrics, existing transactional and behavioral data, and analytics helps you benchmark your current retention efforts and enables you to predict the future.

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

Shifting away from this "rear-view mirror" mentality helps on two fronts:

1. Anticipating your customer's needs and expectations enables you to deliver the right message, at the right time, through the right channel.
2. Analyzing the data through a predictive lens alerts you to customers at risk of defecting.

Marketers often target a defecting customer only after that customer has already left. "Day late, dollar short" as the saying goes. Integrating predictive analysis into your customer retention measurements helps you identify those in the process of leaving the company before they have reached the point of no return—giving you the opportunity to re-engage, rectify, and revitalize them in the brand before you lose them. Brands that can address short-term experience failures can nurture a more engaged constituent, but those who neglect the opportunity to "cure" suffer great brand damage.
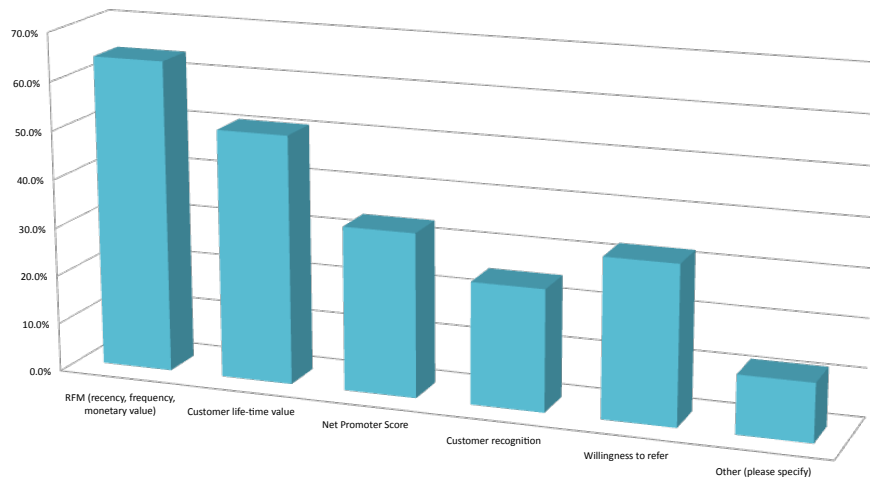
"BRANDS AND THEIR LOYALTY INITIATIVES ARE UNDER ASSAULT. JUST 25% OF PEOPLE REPORT BEING LOYAL TO A BRAND.

KNOWING WHO THESE LOYAL CUSTOMERS ARE AND HOW TO BEST ENGAGE THEM IS A BUSINESS IMPERATIVE."

—TIM SUTHER, CHIEF MARKETING & STRATEGY OFFICER OF ACXIOM

What metrics do you currently use to measure customer retention? (check all that apply)

Surprisingly 5.4% of respondents admit to not evaluating customer retention at all. Most companies use multiple metrics simultaneously to measure customer retention. When asked to name which metrics they use, survey respondents revealed they are based mostly on transactions, spending and tenure, and less on attitude, satisfaction and referral. 64.1% of the respondents report using RFM (recency, frequency, and monetary value)—extending the legacy of push-based marketing. This raises a couple of issues. Since RFM is descriptive and one of the oldest and most traditional metrics, it reasons that it is cited as the most widely-used, but we were surprised that it was not used by all the respondents. With usage hovering at about 2/3 adoption and knowing that RFM drives short-term profit objectives, we questioned whether these programs are tied to lower margins versus engendering loyalty.

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

This question takes on even more significance when you consider that only 33.7% use net promoter score and 32.6% use willingness to refer to gauge loyalty. Recommendations from personal acquaintances or opinions posted by consumers online have become the most trusted forms of advertising, according to the latest Nielsen Global Online Consumer Survey of over 25,000 Internet consumers from 50 countries. With the vast majority of respondents failing to measure consumers' intent and willingness to refer, they are overlooking an increasingly critical area of analysis.

We were encouraged to learn that customer lifetime value, a more challenging metric to employ, is used by more than half (51.1%) of respondents. As customer lifetime value is a measurement of customers' time-discounted cash flow over their lifetime, it helps brands effectively align marketing with customers' interests.
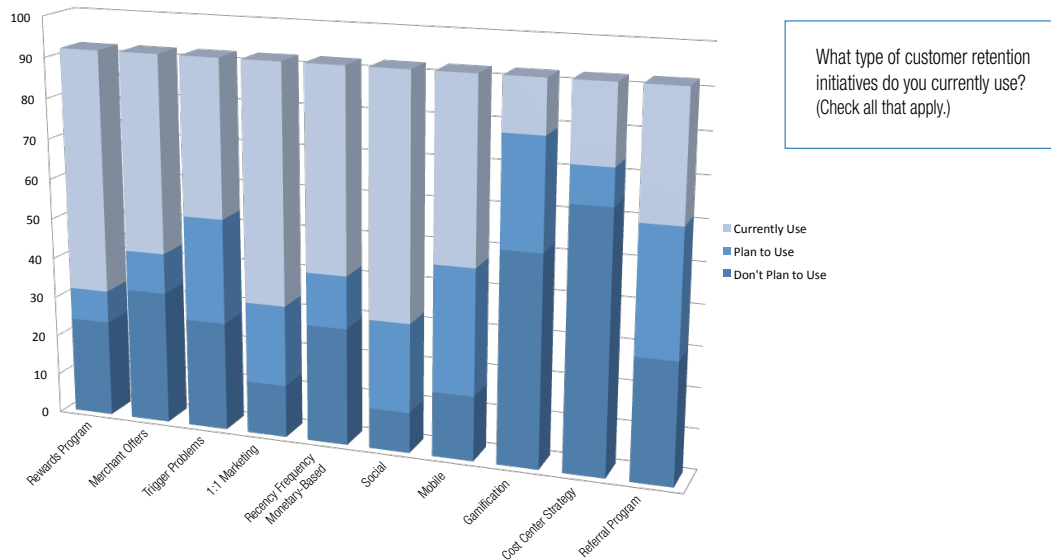
WHAT TYPES OF CUSTOMER RETENTION INITIATIVES DO YOU USE?

Customer retention encompasses a number of initiatives that work together to achieve a common goal. When we dug deeper into the types of customer retention initiatives companies currently use, some interesting findings surfaced:

- While the CMO Council reports that for every 12 loyalty programs only 4.7 are used on a regular basis, we found that rewards programs are still the most often used customer retention initiatives --- with 65.2% of respondents currently using them and another 8.7% planning to launch a rewards program. When leveraged to their full potential, rewards programs can effectively drive revenue growth and maximize customer lifetime value.   Not having heard the cacophony from brands that want to create truly loyal customers, we see only that they want to increase the efficacy of their "loyalty" initiatives.

- With social media being used by 65.2% of respondents and an additional 23.9% of companies planning to add it to their retention initiatives, it will quickly surpass rewards schemes as the most often used program. Because social programs are predicated in the simplest form of behavior, this initiative is crucial to creating an effective, more comprehensive understanding of the customer. While often considered more of an acquisition versus retention strategy, more than 27% of businesses included in a recent Loyalty 360 poll said that social media marketing has been the most effective channel for customer retention.

- 1:1 Marketing, which emphasizes personalized interactions with customers, is also one of the most widely used customer retention initiatives, with 64.1% of respondents currently implementing these programs. An additional 21.7% plan to launch 1:1 campaigns, catapulting this category ahead of rewards programs. What's surprising is that while research continues to show customers crave personalized messages and promotions that appeal directly to their needs and wants (and we have the analytical tools and technologies to make this happen), 14.1% of respondents neither use 1:1 marketing programs now nor plan to do so.

> **"WHAT'S MEASURED IMPROVES."**
> **—PETER F. DRUCKER**

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

What type of customer retention initiatives do you currently use? (Check all that apply.)

Legend:
- Currently Use
- Plan to Use
- Don't Plan to Use

- Mobile is certainly on the move. Nearly half of respondents (48.9%) have retention strategies in place that focus on mobile with an additional 33.7% planning to use this channel in the near future. The 10.8% of respondents not planning to focus on mobile may be missing out on the opportunity that is literally in the palm of their hand: the ability to connect with customers, forge stronger relationships with them and incorporate their mobile behavior into their insight efforts. As Erik McMillan, CEO of BestFit Mobile, explained at the Mobile FirstLook: Strategy 2012 conference, "The mobile channel has proven itself thousand-fold. A really interesting thing that I've seen across retailers is that the mobile users are loyal users. They spend more money than ever before. They are spending more money than you think they are because, for them, mobile is a loyalty program, and focusing on that is key."

- Gamification is the newest type of loyalty marketing, according to Gartner Group. The analyst firm predicts that by 2015, a gamified service for consumer goods marketing and customer retention will become as important to companies' marketing engagement efforts as Facebook and Twitter. Gartner further predicts that in less than three years, more than 70% of Global 2000 organizations will have at least one gamified application. Respondents to the Acxiom/Loyalty 360 survey do not seem to agree. Currently, only 14.1% of respondents use gamification in their customer retention efforts and nearly one-third (29.3) plan to add gamification. More than half (56.5%) have no plan to do so and will be putting their resources elsewhere.

WHAT KIND OF CUSTOMER DATA DO YOU COLLECT?

Data provides an invaluable window into customer behavior—past, current and future—enabling marketing strategies to become fact- and math-based. Knowing what, when, where and how much a customer bought arms companies with the information needed to target customers based on their actual purchase patterns and forecast future customer actions based on their and other similar individuals' past behavior attributes.
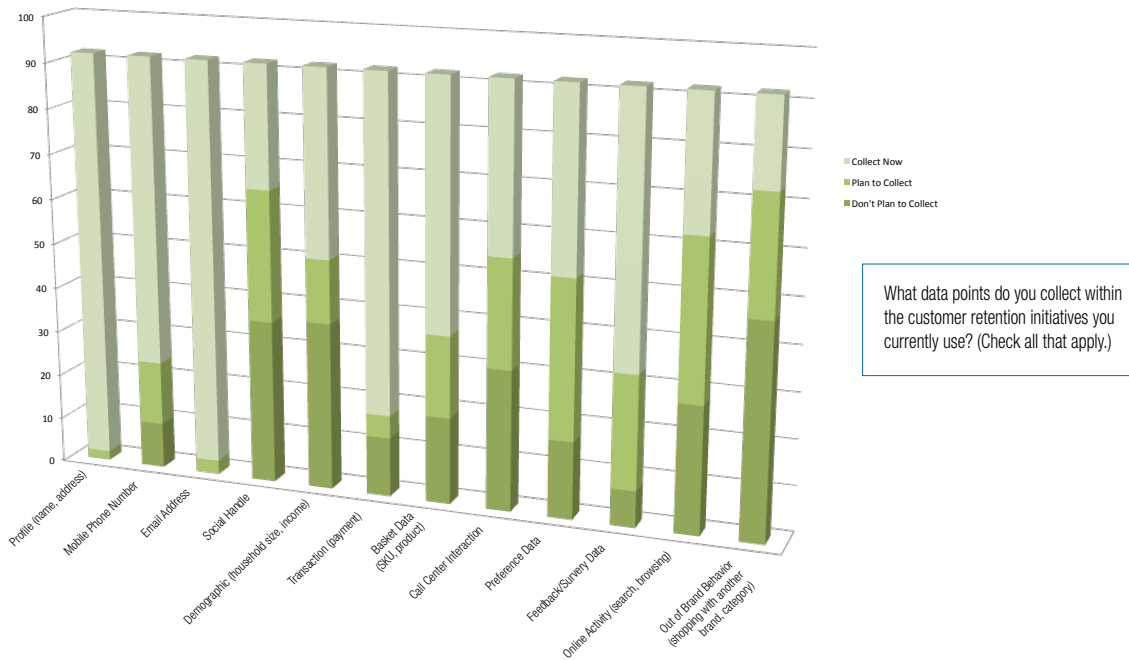
MAKING EVERY INTERACTION COUNT:
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Collecting the right data helps brands create and deliver messages that are relevant, timely (desired frequency), through the proper channel and personalized which, research has shown, increases the response rate and strengthens the customer/brand relationship. This pro-active process leads to a more value laden, multi-beneficial dialogue, allowing the brand to assess true customer sentiment.

We discovered that most companies are leaving insights into customer attitude and preferences largely untapped.   Equally, there were myriad lessons to be learned and eyebrows to be raised from looking at what type of data companies "don't plan to collect":

- Nearly all respondents (97.8%) gather basic information such as name, address, email, etc. It was puzzling that there are any companies that don't collect such general information (though they indicated that they plan to in the future).
- While the vast majority (80.4%) track transaction data, it was interesting to learn that 14.1% do not and don't plan to collect this information.
- Demographic data collection was another category that intrigued us. 44.6% of respondents currently collect information about household size, income, etc., and another 15.2% plan to do so in the future. Yet, a full 40.2% have no intention of collecting such basic information.
- Research showing the correlation between satisfaction with the call center and customer loyalty is plentiful. According to Forrester Research, call center satisfaction correlates with three loyalty metrics: (1) consumers' willingness to repurchase, (2) reluctance to switch, and (3) likelihood to recommend ("Want Loyalty? Improve Your Call Center Customer Experience: Call Center Satisfaction Ties To Loyalty Across 11 Industries"). Given this strong relationship, it was troubling to learn that more than one-third (33.7%) of respondents don't nor plan to collect call center interaction data. In fact, only 40.2% of responding companies currently capture this information at all.
- Respondents seem to understand the importance of mobile as a customer retention strategy as 73.9% current collect customers' mobile phone numbers, and another 15.2% plan to do so. Still, 10.8% have no plans to capture this data.
- Realizing the value that can be gleaned from customer feedback/survey data, nearly two-thirds of respondents (64.1%) currently collect this information and 27.2% plan to add this voice-of-customer element to their arsenal.
- While preference data and online activity (browsing/searching) are currently tracked by a moderate number of respondents (43.5% and 31.5% respectively), an additional 38% plan to start collecting this data, the greatest uptick of any category. These findings show that brands understand the importance of better understanding their customers' needs, wants and desires in order to provide them with more engaging experiences.
- Coming in second in terms of data points respondents plan to glean is a customer's social handle (29.3% currently collect; 31.5% plan to collect). Given the meteoric rise of online customer feedback—and the deep, actionable insights inherent in these online conversations—it's clear that many brands understand the importance of

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

What data points do you collect within the customer retention initiatives you currently use? (Check all that apply.)

collecting customers' Facebook, Twitter and LinkedIn personas. At the same time, one has to wonder why 39.1% have no plans to add this information to their data arsenal.

We learned that most companies have two interconnected barriers to building customer understanding: siloed data and competing business units. Data is not organized around customers, while different channels and business units keeping their data separate makes comprehensive, customer-oriented analysis difficult
or impossible. 40.2% of respondents access data individually through different lines of business, versus 34.8% who say that data is centrally located with universal access; 25.0% access data through the customer retention program. Further, 41.3% of respondents indicate that database siloes are a key challenge to accessing data within their organizations. When looking at these findings together, it became clear why a separate-but-same-number 41.3% of companies reported that their data sources are aggregated, giving them a 360-degree view of their customers. 43.5% do not have this holistic insight into their customer and 15.2% are not sure.

In addition to data being siloed, companies reported the following bottlenecks:
* Budget limitations (52.2%)
* Lack of IT support (48.9%)
* Lack of the right tools (47.8%)
* Lack of know-how/expertise (34.8%)
* Lack of management support (21.7%)

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

The difficulty for marketers lies in a lack of access to a company-wide, central marketing database of precious customer data that can be tapped universally and projected to drive better insight, branding and response/non-response results. This marketing system needs to be able to understand each customer interaction in order to intelligently recalibrate and optimize the next step in the customer conversation, still an elusive goal for most firms.

HOW DO YOU USE THE DATA?

According to the recent Aberdeen survey, "How the Best-in-Class Use Customer Data to Boost Retention Revenue in 2010," a growing number of companies are redirecting marketing budget away from customer acquisition toward retention marketing with the goal of increasing revenue from existing customers. 56% of 1,230 business executives indicated "increased cross-selling and up-selling to current customers" as a customer-facing action their business has taken (or will take) in response to the economic downturn. Customer retention is about more than just keeping customers; it's about transforming existing customers into a highly profitable source of revenue and knowing how to optimize your marketing investments.

We'll repeat—the key to achieving this goal is leveraging customer data to gain a thorough understanding of buyer behavior in order create and implement effective retention initiatives. Marketers that analyze data for insight and intelligence develop customer-centric strategies based on what the customer wants—not what the brand thinks they want—enabling brands to reach the right audience with the right message at the right time. And with the right reach, marketers can build and cultivate strong customer relationships that promote loyalty and deliver customer lifetime value.

Respondents to the Acxiom/Loyalty 360 survey leverage the data they collect in four key ways:
1. Reporting/evaluating program performance (80.4%)
2. Assisting with campaign segmentation (68.5%)
3. Triggering 1:1 communications (51.1%)
4. Building predicting analytics models (41.3%)

Reports allow you to see where you've gone, but they also have the potential to illuminate where marketers need to go. It's encouraging to see that many responding companies leverage their data to glean this forward-thinking intelligence—drilling into the data to build predictive models and learn how best to communicate with customers with greater personalization and relevance. However, with an average of 46.2% of companies not yet leveraging the data in this way, it's clear that significant value is being left on the table. The value in predictive modeling is to identify customer service issues, address them and create deeper brand advocacy, as well as the ability to influence behavior that is more advantageous for the brand.

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Let's take a closer look at how the data helps further a brand's customer retention strategies.

ASSISTING WITH CAMPAIGN SEGMENTATION: Segmentation identifies groups of customers that have similar interests, attitudes and behaviors and provides the building blocks for long-term customer loyalty and business growth. Using data to categorize customers helps marketers gauge how each segment is likely to react to an offer or message, determine how best to deliver this information to them, and craft a strategy that gets the best possible response from each segment.

TRIGGERING 1:1 COMMUNICATIONS: It's been shown that personalized email campaigns generate two to three times higher click-through rates than mass email campaigns and two times higher conversion rates. Brands that use customer data to create and deliver messages with high relevance and 1:1 personalization boosts the open rate and bolsters brand/customer connections which, we know, is the foundation for loyalty and long-term retention.

BUILDING PREDICTIVE ANALYTIC MODELS: Predictive analytics extracts information from the collective experience of a company's customer base and uses the data to predict trends, propensities and behavior. Companies that predict with statistical certainty how customers may respond will deliver more relevant messages and personalized offers to each customer, improving response rates, buying behavior, retention and profit.

GAUGING CUSTOMER ENGAGEMENT

Today's multi-channel, hyper-connected world has taken the complexity of customer engagement to a new level. The growth of social media combined with an overall trend toward commoditization of purchase decisions has for-ever changed the brand/consumer relationship, making customers emotionally engaged with their brand a business imperative.

As the economy improves and consumers start to increase their spending, they are not connecting emotionally with brands the way they did before the recession. According to PeopleMetrics' 2010 Most Engaged Customers study, customer engagement levels across multiple industries have remained flat, after having dropped sharply in 2008. The study evaluated more than 60 brands across 12 industry sectors. Only 52% of customers surveyed said they felt an emotional connection to the company—a mere 1% increase over 2009—compared to 59% three years ago.

Businesses are having a difficult time creating the connections that drive retention and encourage customers to advocate and promote their brands. Given their old school "push" mentality, brands are now challenged to communicate in a dialogue on the customer's terms. This opens up a huge advantage for those pro-active brands that have the ability to communicate interactively and broaden the engagement. As such, we wanted to take a look at what analytic models our survey respondents are using

"GIVEN THAT OUR RESPONDENTS REPORT AN OVERALL LOW PERCENTAGE OF MARKETING DOLLARS AND EMPLOYEES DEVOTED TO CUSTOMER RETENTION STRATEGIES, IT'S NOT SURPRISING THAT THERE ARE SIGNIFICANT BARRIERS IMPACTING MARKETERS' ABILITY TO ACCESS DATA WITHIN THEIR ORGANIZATION. THE WINNERS WILL BE THOSE WHOSE LEADERS 'SHOW ME THE MONEY.'"

**—MARK JOHNSON,
   CEO OF LOYALTY 360**

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

to enhance customer engagement. We found that the majority uses a combination of attitude and behavior (58.7%), brand affinity (45.7%), product propensity (41.3%) and channel preference (41.3%).

ATTITUDE AND BEHAVIOR: To engage customers and optimize their experiences across multiple touch points, marketers need to understand who their customers are and what they think and do. They must also remember each interaction and how they communicate so the customer's experience is as seamless across all channel touch points as possible. Remember, 70% of purchase decisions are emotional (versus rational), which means that short-term service issues are emotional as well. Marketing leaders that master new technologies enable their brands to connect the dots and get a deeper understanding of the real drivers of consumer behavior. These drivers include how she thinks, feels, reasons and is influenced by her cumulative experiences with the brand as well as by the surrounding environment, demographics and psychographics. Using the intelligence gleaned via this deeper level of data helps companies identify trends and growth opportunities, and create brand experiences that drive customer retention and loyalty.

BRAND AFFINITY: A customer that demonstrates affinity towards a brand is more likely to make repeated purchases, write positive reviews and refer others to the brand. Enjoying high levels of satisfaction and loyalty, these customers have an emotional connection with the brand and ultimately become its best marketers. In essence, they feel a sense of ownership. (Think Apple, Disney, John Deere or Harley Davidson.)

PRODUCT PROPENSITY: A product propensity model, the goal of which is to identify the additional product that a customer is likely to purchase out of the suite of products offered, helps with a company's up-selling and cross-selling strategies.

CHANNEL PREFERENCE: While marketers have traditionally segmented customers by demographics, the explosion of online channels highlights new and more effective ways to categorize customers based on channel preferences in order to enhance long-term retention. Marketing will be most impactful and engaging when it is relevant and personalized to the consumer. A big part of delivering on this criterion is using the right channels to reach each individual.

USING DATA TO TAKE ACTION

Customer data is one of a company's greatest assets. But, it's what businesses do with the data they collect that helps them grow. Delving into our findings reveals what marketers believe is the most important outcome that data insight provides to improve retention marketing:

- Understanding customer's attitude and behavior (31.5%)
- Improving the customer experience (25.0%)
- Enhancing/creating more relevant marketing messages (20.7%)
- Anticipating customer needs (13.0%)
- Personalizing retention program rewards and offers (8.7%)

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

We were surprised to learn that while 1:1 marketing was reported as being one of the most often used customer retention initiatives (used by 64.1%), only 8.7% of respondents claim they are using data insight to personalize loyalty program rewards and offers. We find this statistic very interesting when you consider the CMO Council's recent paper, "Why Relevance Drives Response and Relationships," which highlights what customers believe is a critical issue with loyalty programs: lack of personalized and relevant messages and rewards based on their individual preferences or behaviors. In fact, an overwhelming majority, 73%, admitted to being the recipient of promotions for products or services they already owned.

We know that brands have the ability to collect a treasure trove of customer preferences, behavioral insights and predictive analytics for not just loyalty program members but for all customers. Our findings show that roughly 45.0% of respondents believe that the insights gleaned from data (understanding attitude and behavior, anticipating needs and more) matter most, whereas 54.4% of respondents believe that most value is in the ability of the data to drive actions (creating relevant messages, improving the customer experience, and personalizing rewards and offers). Further, our findings reaffirm that some companies are still not using this data to deliver the level of personalization or individualized message delivery customers crave.
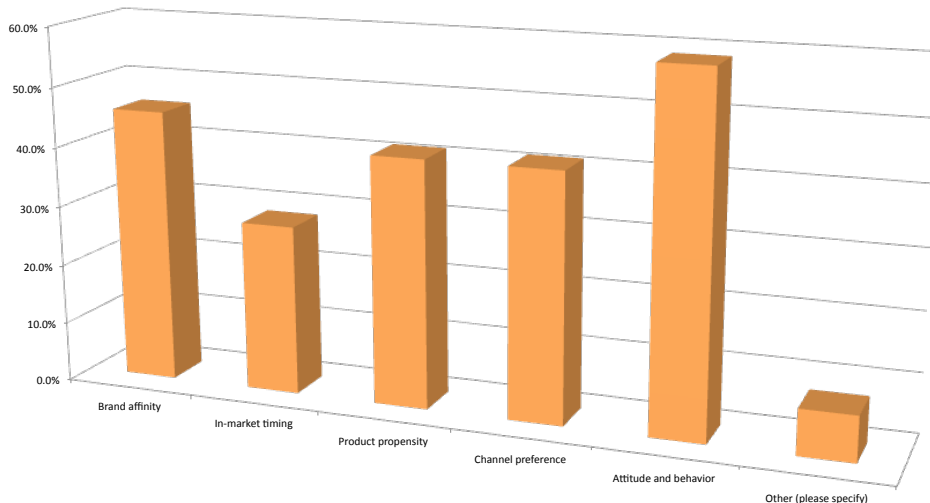
What kind of analytic models do you think help with customer engagement? (Check all that apply.)

Overall, "Making Every Interaction Count: How Customer Intelligence Drives Customer Loyalty" (Acxiom/Loyalty 360, 2012) found that taking action based on the customer intelligence gained from mining and analyzing data yields bottom-line results. While one-third of respondents were unable to prove that analytics positively impacted the effectiveness of their customer retention programs, the vast majority reported the following benefits:

MAKING EVERY INTERACTION COUNT:
HOW CUSTOMER INTELLIGENCE DRIVES CUSTOMER LOYALTY

- Increased spend by loyalty members (54.3%)
- Increased referrals (13.0%)
- Shortened time from reward accrual to redemption (9.8%)

While many brands have an abundance of critical customer data, most do not leverage it to their best advantage.   According to Forrester Research, their report, The Intelligent Approach To Customer Intelligence, revealed that the majority of firms still struggle to fully understand their customers and leverage their customer data as a strategic asset. Two years later, our survey echoes these findings. Companies are not using their data efficiently and effectively to glean real business intelligence.   And with Mashable, IDC, and EMC predicting that the world's data will double every two years, winners will be those that learn how to get their hands around this proverbial beast.

RECOMMENDATIONS

Marketers need to view this process as a marathon rather than a sprint, and we believe the best place to start is to focus on learning the most you can about your best, most loyal and profitable customers. The explosion of new digital tools and technologies has fundamentally shifted power from brands to consumers. Consumers have access to ever-growing volumes of information about products, prices, customer satisfaction, and availability. As a result, virtually all metrics, including loyalty, are in serious decline.

Harvesting data and gleaning it for true customer intelligence is the secret sauce for driving the effectiveness of your customer retention strategies. As the top 20% of your customers drive 80% of sales, learning how best to understand and engage your top tier customers is today's most important competitive advantage. As Walt Disney once said, "Do what you do so well they want to come back and bring their friends." Using data, insight and analytics to make every interaction count will help marketers bring Disney's words to life.

ABOUT ACXIOM, A RECOGNIZED LEADER IN MARKETING SERVICES AND TECHNOLOGY

Acxiom is a recognized leader in marketing services and technology that enable marketers to successfully manage audiences, personalize consumer experiences and create profitable customer relationships. Our superior industry-focused, consultative approach combines consumer data and analytics, databases, data integration and consulting solutions for personalized, multichannel marketing strategies. Acxiom leverages over 40 years of experience in data management to deliver high-performance, highly secure, reliable information management services. Founded in 1969, Acxiom is headquartered in Little Rock, Arkansas, USA, and serves clients around the world from locations in the United States, Europe, Asia-Pacific and South America. For more information about Acxiom, visit **www.acxiom.com.**

ABOUT LOYALTY 360

Loyalty 360 is an unbiased, market driven, voice of the customer focused clearinghouse and think-tank that is committed to bringing loyalty to the forefront as a critical marketing strategy. A trusted source for cutting-edge research, best practices and networking opportunities, Loyalty 360 gives members the expert insights and guidance they need to better understand loyalty and develop programs that effectively engage their customers and employees and build stronger relationships with them. Visit us online at **loyalty360.org**