SAP Thought Leadership
SAP Customer Relationship Management

ENHANCING THE CUSTOMER EXPERIENCE WITH LOYALTY MANAGEMENT

STRENGTHEN THE BRAND AND IMPROVE CUSTOMER RETENTION

THE BEST-RUN BUSINESSES RUN SAP™

EXECUTIVE SUMMARY

SATISFYING CUSTOMERS, DEVELOPING ADVOCATES

Executives in any industry will tell you that they sincerely care about their customers – after all, satisfied customers are the source of a company's long-term success. But as they face the daily challenges of designing new products and services, building brands, and creating strategies for addressing competition, many executives lose their customer focus. They haven't developed clear insights into the diversity of their customers' needs nor have they identified their most valuable customers. And managers rarely have a data-based understanding of how well they are satisfying customers across numerous interactions with them.

Those interactions – which collectively shape the way the customer experiences your company and perceives its brand – are broader than you may think and now matter more than ever. Of course, the customer experience encompasses the delivery of your company's products and services. But it also involves what the customer observes in connection with anything associated with your company – including radio advertising, Web sites, sales presentations, and what other customers are saying about their own experiences.

Loyalty programs – which promote specific customer behaviors by providing benefits (such as rewards for miles flown) – can help enhance the customer experience. While companies often view such point-based programs as a fast way to enhance profitability by inducing customers to buy, they are finding that there is a much greater value provided by loyalty programs: the collection of information from program members. Companies can then use this data to develop a 360-degree view of customer interactions and determine how best to tailor process enhancements by segment – particularly for high-value customers.

By implementing loyalty programs that are integrated across sales, service, and marketing – across all channels of interaction – a firm can greatly enhance the customer experience, increase customer retention, and foster the development of a community of people who serve as advocates for the business.

DELIVERING VALUE TO CUSTOMERS IN A TURBULENT ECONOMY

LEVERAGING METRICS TO ENHANCE THE CUSTOMER EXPERIENCE

The leaders of successful companies start with their brand promise – and then train employees and align processes to create excellent customer experiences that are consistent with the brand.

As the world economy faces new and serious challenges, it has become increasingly important to enhance the customer experience. In particular, customer churn is very costly – it's many times more expensive to acquire a new customer than to keep an existing one – so retaining customers by offering a superior experience is a top priority. Also, delivering unique experiences to different customer segments is a valuable strategy. In many industries, a relatively small percentage of customers delivers most of the revenue, so investing in the experience offered to high-value segments will enhance profitability.

Customers today are empowered with information, and they evaluate their relationship with your company with respect to their own unique needs.

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To deliver superior value, it's crucial to establish the right metrics. These metrics should measure the progress of your business strategies across customer-facing sales, service, and marketing processes – and support development of your brand. The key is to use metrics – covering areas such as service levels by customer tier and first-call resolution attainment – to determine your progress toward enhancing your customers' experiences, achieving differentiation relative to your competition, and enhancing customer lifetime value.

Moreover, particularly during challenging economic times, it's highly valuable to invest to build brands while carefully monitoring ROI. If you sustain spending on marketing and service excellence while many others are focusing on cost reductions alone, the long-term returns are likely to be favorable: relative to more cautious competitors, you can increase brand equity as well as retain customers by offering a better experience.

HOW LOYALTY MANAGEMENT ENHANCES THE CUSTOMER EXPERIENCE

ADDRESSING CUSTOMER-FACING PROCESS INTEGRATION

While establishing the right metrics is essential for enhancing the customer experience, companies often lack a rich set of data covering customer behavior and insights. Without a way to collect a robust set of customer data, you may be inclined to monitor only what is easy to measure – and not develop deep insights derived from customer interactions. Loyalty management programs are a means of collecting meaningful customer data to be used for subsequent decision making.

Customer Insights Come First – Profitability Follows

Companies often pursue loyalty programs because they believe the rewards encourage customers to buy – a quick path to boost revenue and profits. Unfortunately, such an approach has tended to produce only temporary results.

Companies are starting to realize that well-run programs provide data to enhance processes – achieving a true 360-degree view of each customer – and thereby enable durable improvements to the customer experience.

The programs become commoditized within an industry, consumers are overwhelmed with membership in multiple programs, and companies increasingly struggle to foster the desired consumer behaviors. But companies are starting to realize that well-run programs provide data to enhance processes – achieving a true 360-degree view of each customer – and thereby enable durable improvements to the customer experience. By avoiding the pitfalls of limited visibility, you can make sure that you're making intelligent investments in your most profitable customers.

For example, before implementing a loyalty program, an airline might find a segment of customers who purchase tickets frequently and deliver high revenues – seemingly a high-value segment. Once a loyalty program is implemented, however, the company finds out more. These customers actually are not highly profitable: they book only low-margin seats, do not purchase extra services or upgrades, and do not act as advocates for the airline. The company can then determine what action to take, such as focusing on truly high-value customers or trying to change the behavior of customers in this low-profit segment.

Best Practices in Managing Loyalty Programs

To enhance the customer experience and achieve profit growth, loyalty programs need to be part of a comprehensive customer relationship management (CRM) strategy that starts at the executive level and engages all employees. Company leaders first need to establish their brand attributes and determine the implications for interaction with customers across all touch points. Companies also need to determine how different customer tiers – from steadfast and highly profitable segments to occasional shoppers – are to be treated. That means training employees thoroughly, steering customers to the appropriate channel, and satisfying customers so well that they become advocates.

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Establishing a sound CRM foundation is essential for any industry intending to implement a loyalty program – since success depends on achieving a complete view of the customer. This is true for business-to-consumer industries, such as travel, hospitality, and wireless services – as well as for business-to-business industries, such as construction and energy, where loyalty programs are becoming increasingly relevant to enhance customer relationships. In any company, loyalty management processes should be integrated across the enterprise: all departments should align around the treatment of customers based on loyalty strategies delineated by segment.

Once the CRM strategy is put in place, the loyalty program needs to be enabled by a software solution that can achieve the intended visibility across touch points (see the figure). Such a solution needs to have the basics – including program management with functions to register members, establish tier groups, and set up program-specific point accrual. The basics also include a robust rules management engine, which incorporates the setting up of program conditions and timed execution of reward rules.

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But it's crucial to go beyond the basics. In order to streamline data collection and enhance the customer experience, integration with a company's software applications for sales, service, and marketing is paramount. For example, sales and service agents should have visibility into loyalty account status to address point-redemption requests, up-sell and cross-sell when appropriate, and handle complaints. Customers should have self-service functionality via a Web portal so they can access their account and handle routine functions, like changing an address or viewing account status. Finally, marketing should tightly integrate with a loyalty management solution and leverage data collected from all interactions.

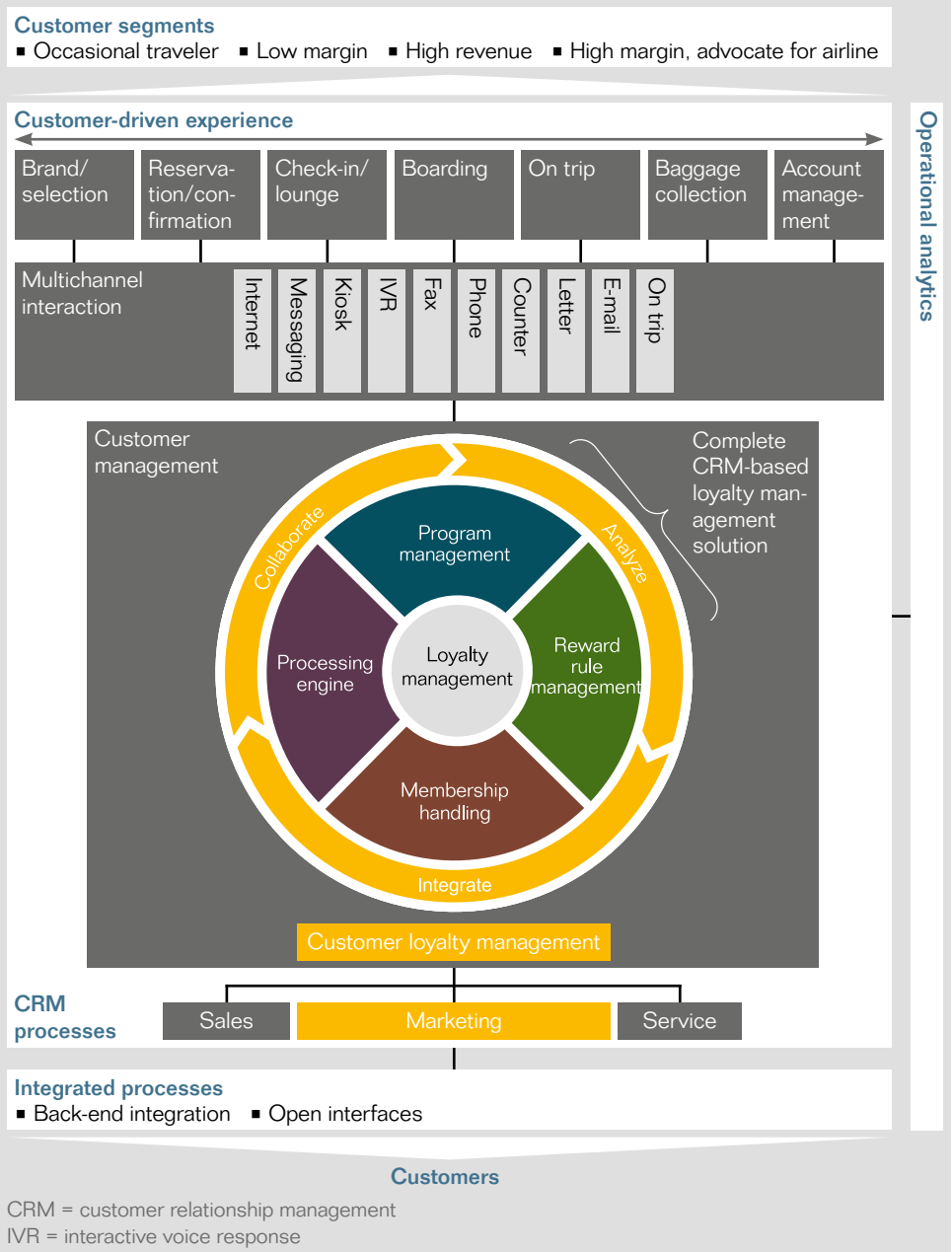


Figure: Framework to Enhance the Customer Experience for an Airline

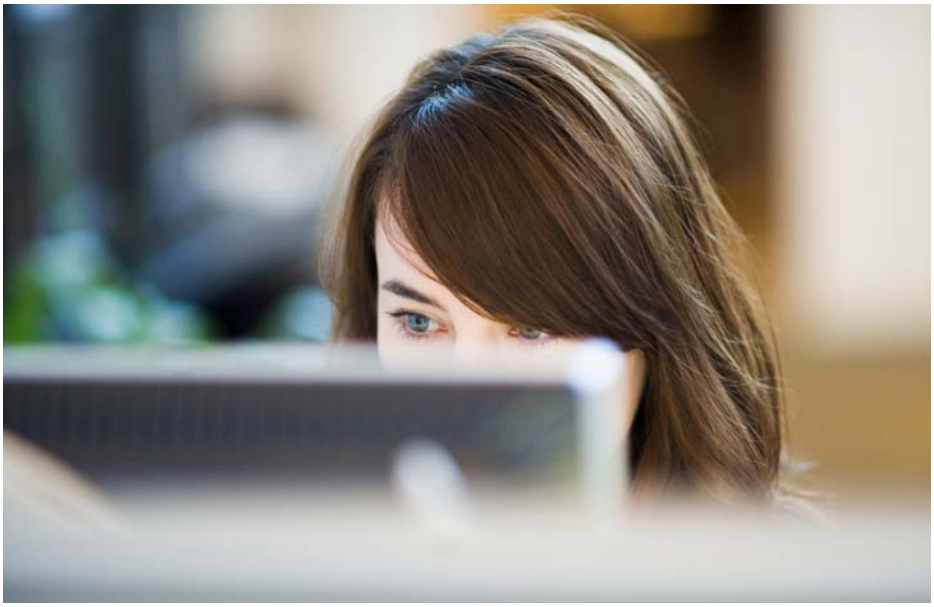
MANAGING YOUR LOYALTY PROGRAMS WITH SAP® CRM

A FOUNDATION FOR IMPROVING CRM PROCESSES

The SAP® Customer Relationship Management (SAP CRM) application supports your loyalty program with software for program management, reward rules management, and membership handling. The core of the solution is a highly scalable engine that processes member activities and tier-level changes against the rules of the program.

This loyalty management functionality is integrated with all aspects of SAP CRM, including marketing, interaction center, sales, and channel management. For example, your brand owners can design and execute closed-loop loyalty-based marketing campaigns while program members can access their accounts using their preferred channel.

Multichannel loyalty management functionality in SAP CRM helps you provide a consistent and superior customer experience. It offers an SAP CRM–based foundation for collecting transaction and personalized data across a wide range of customer interactions for companies of all sizes – enabling you to substantially improve customer satisfaction and create advocates for your business.



Find Out More

Loyalty management functionality in SAP CRM can help you reinforce your brands, build brand loyalty, and improve the customer experience. To learn how to manage and enhance your loyalty programs, visit us on the Web at www.sap.com/crm.

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