

LOYALTY

And a happy new year

Loyalty marketing's 2012 signposts

By Alexandra Best, VP Marketing, RewardStream

Amidst all the economic hand-wringing of 2011, there's been a common thread across the year's most influential marketing books and keynotes. From 'command and control' to 'facilitate and encourage', mainstream marketing is shifting to an acceptance that our customers are social animals who actually talk to one another, outside officially recognized channels and off our officially approved scripts.

The Word of Mouth Marketing Association (WOMMA) reported recently that of all brand-related word of mouth conversations, 66% are "mostly positive," whereas only 8% are "mostly negative." Further, the average online review is 4.3 stars out of 5. Odds are, if someone's talking, it's a good thing.

Historically, the fluidity of real customer conversation in the real world has eluded us. How can we understand the volume, tenor, impact and value of these conversations? Owned and bought media – such as PR, email campaigns, direct advertising – are safe, predictable, and measurable. For a few years now the bells have been ringing – Consumer 2.0 will change everything! Traditional marketing is dead! – and marketers have struggled to distinguish solid guidance from panic, holding on to what they know while reframing familiar assumptions about what works and what doesn't.

The desire to facilitate and encourage customer conversations has graduated from a fringe strategy to mainstream. The socially active customer is not a new story but this year, successful marketers will act with more confidence, more street-level tactics. For many marketers 2012 will be the year that everything changes. Let's look at some of the ways how.

1. 2012 is the dawn of consumer-to-consumer marketing. Smart marketers will get systematic and street-level.

April 2010's McKinsey Quarterly included the following statement that resonates strongly today: "Marketers spend millions of dollars on elaborately conceived advertising campaigns, yet often what really makes up a consumer's mind is not only simple but also free: a Word of Mouth recommendation from a trusted source. A Word of Mouth recommendation is the primary factor behind 20 to 50% of all purchasing decisions."

Today's consumer trusts the word of friends, family, and colleagues above that of owned and bought media, where the majority of current marketing budgets disappear. Marketers need to shift focus to engage a quality of advocates rather than a quantity of impressions. From Facebook Likes and Twitter Shares to Wall Posts and Product Reviews, customers are already an extension of your marketing department. Marketers this year should add the necessary third element: motivation.

In 2012, marketers will shift from debating the merit of customers marketing to customers to debating the technology and best practices to get in the game. We will expand the meaning of 'engagement' beyond lead generation to include endorsements, recommendations, offer sharing, and influence.

2. 9 out of 10 word of mouth conversations happen offline. Marketers will need to learn how to affect 'offline' in 2012.

Every day in America, brands are mentioned 3.3 billion times in 2.4 billion conversations. And, "[e]very day, people talk to each other, providing guidance on which experiences to embrace

and which to avoid. It's no wonder that nearly 50% of consumers are likely to purchase products as a result of word-of-mouth."

Most marketers are still working to get a handle on conversations that occur in the online social realm, let alone offline. 2012 will be the year when we broaden our frame of reference regardless of channel, seeking any and all entry points into street-level sentiment. Brands will need to figure out not only how to detect and show up among those conversations, but how to thank and encourage enthusiasts as well – no matter how or where they share.

3. In 2012, loyalty will get social.

A foray into social loyalty could begin by incorporating social media insight into your segmentation strategy. Peppers & Rogers suggests a start could be identifying engaged and influential customers, and starting to communicate directly with them; in those interactions, acknowledge their voice and experiences, and treat them accordingly. The next step is to create a full-fledged social loyalty program, rewarding customers not just for purchases but for their recommendations and advocacy. Social loyalty is a high growth area for loyalty technology and solution providers – look for interesting developments, approaches, and solutions in 2012.

4. Customers are already brand co-creators, whether we intend them to be or not. Successful digital programs will make lots of room for their voices.

Brands need to make room for customers to share their passion, but not necessarily in perfect alignment with marketing's carefully crafted messages. Customer enthusiasm, spontaneous and unscripted, needs space to be heard.

One of the gems in *Brains on Fire: Igniting Powerful, Sustainable, Word of Mouth Movements* is the first lesson – real conversations aren't about brands or products, but the passion that the brand or products inspire. As much as we all like our material stuff, it's usually what we do with it that's most interesting. We need to encourage customers to share their stories, upload their videos, post their photos, and share their product suggestions. Customers can be your best ally, because their ability to reach new customers is deeper, more personal, and more targeted than even the most successful marketing team could ever manage. So give your customers ways to amplify their stories. Build a scheme into your loyalty and engagement program that actively encourages personal content creation – and don't forget to thank them for it.

5. In 2012, brands need to focus on helping consumers engage with one another during the purchase lifecycle.

It's broadly understood that today's consumer has contact with a brand long before any in-store experience. They might hear about a new product from a family member, see a review online, notice it mentioned a few times on Facebook. It's within this array of non-store experiences where marketers need to engage.

According to Google, 88% of U.S. consumers engage in the "zero moment of truth" – that intersection when they seek out information about a product or service they're thinking about buying – prior to visiting a store or making an online purchase. "Those incredible numbers shouldn't surprise us anymore," says Jim Lecinski, author of *Winning the Zero Moment of Truth*. "This is how consumers live and learn and make decisions today: from ratings and review sites, from friends on social media, at home and on the go, and (more than ever) from video. They learn from search results, user reviews, four-star ratings, text ads, image ads, news headlines, videos and even good old-fashioned official brand websites."

To be successful, loyalty in 2012 will have to broaden its scope to look beyond the cash register, rewarding not only purchase transactions but engagement, advocacy, recommendations, and social activities. Enthusiasm begets enthusiasm, and in this consumer-driven era the trick to customer acquisition is to amplify naturally-occurring delight as loudly and as widely as possible.

Alex has more than 15 years' experience building and leading marketing programs, with extensive experience in lead generation and customer acquisition. At RewardStream Alex is responsible for lead generation, corporate marketing, and marcom; she also acts as Product Manager for Spark, RewardStream's first packaged customer recommendation solution. Alex's background is primarily in B2B technology marketing, but is enjoying working with B2C clients whose customer loyalty and acquisition programs are typically of a much larger scale than her B2B clients in the past.



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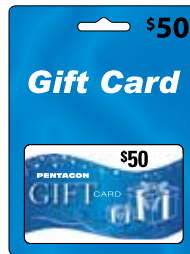
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