



Same difference

See retail in in any country across the world, and you realise that consumer challenges are local, even when they are global

BY BRYAN PEARSON

One recent story I read detailed the issues Indonesian merchants face in trying to maintain loyalty at a time when consumers collect loyalty cards as if they are coupons. The customers have learned to use different programmes at different times, depending on the offer or price promotion.

What these savvy consumers are doing, of course, has nothing to do with loyalty. Any sharp loyalty programme operator should recognise this fact before even attempting to change behaviour. To gain dedicated customers—not bargain hunters—marketers must first address the underlying problem, which points to a lack of engagement. Temporary solutions, such as occasional sales or discounts, may be born of good intentions, but they aren't designed to fulfil the ultimate goal: enduring customer loyalty.

Loyalty in any language does, after all, mean loyalty. But India does present a rather unique situation in the world of

loyalty marketing. For one thing, India's mixture of cultures, ages and socio-economic status extends to consumer attitudes and perceptions about loyalty. Understanding the many perspectives in the Indian profile will require marrying the broader perceptions of those many underlying cultural subtleties with the needs of the individual consumer.

Across the country, new businesses are opening and existing ones are expanding. India and its consumers now form a coveted international market, drawing multinationals that want to count Indians as valued customers.

A global giant with a \$4-trillion economy, India is one of the fastest-growing markets in the world. It has averaged 8 per cent annual gross domestic product growth from 2006 to 2011, according to the World Bank. And while that figure is expected to slow, India's GDP is still projected to grow by an additional 5 per cent, according to the International Monetary Fund. It has become one of the fastest-expanding economies in

the world, and in October 2012 ranked as the fastest-growing Internet market among the BRIC nations of Brazil, Russia, India and China.

All this translates to what research firm McKinsey & Company predicts will be a \$450-billion retail market by 2015.

This economic dynamism offers dramatic opportunities for both Indian companies and consumers. In 2008, organised retail accounted for less than 5 per cent of the market but is expected to expand to 14 to 18 per cent by 2015, when India will be home to a pool of retail patrons as large as the current population of the United States.

With this growth come higher expectations. An expanding economy means more sophisticated consumers who demand a specialised experience, greater value and more immediate service. Add to this the already-noted complexity of India's population – the country includes many languages and a great diversity of cultures, religions, age groups and further characteristics defined by socioeconomic status.



Establish relevance as it represents the most powerful opportunity for creating emotional loyalty with customers

Add data exchange into this equation, and you are ratcheting up those expectations.

This presents a lucrative, but challenging opportunity for brands emerging in or entering India. In a country where merely opening your doors ensures business, it is tempting to simply launch a loyalty programme and expect the numbers to follow. This would be a mistake – if the ensuing use of that data does not prove to be beneficial to the consumer, he or she has plenty of other options to turn to, for good.

Consider these numbers, from the 2011 COLLOQUY Cross-Cultural Loyalty Study, which is an analysis of consumer attitudes and behaviours about loyalty in India, China, Brazil, Canada, Australia and the US.

- More than half (56 per cent) of Indians surveyed trust foreign brands more than Indian brands. In addition, more than a quarter of Indians feel strongly that competition from foreign companies is a good thing. With international competition will come more mature loyalty programmes and approaches, and both Indian and multi-nationals will have to compete against them in the market.
- Only 42 per cent of Indians surveyed belong to a rewards programme, indicating substantial growth potential. For comparison, 74 per cent of Ameri-

cans belong to a rewards programme. In India, this translates to an average of 2.8 programme enrolments per person, with middle class consumers on average belonging to more (3.7) than both the wealthier (3) and lower-income households (1.8).

- The top reasons for not joining a loyalty programme among top earners: insufficient incentives and lack of availability (34 and 33 per cent, respectively). Among middle-income earners, it's privacy concerns (39 per cent) and low shopping levels (29 per cent). For lower-income households, low shopping levels and privacy concerns (23 per cent and 30 per cent, respectively) rank as the top reasons.
- The 26- to 34-year-old segment has particularly high expectations in return for their loyalty plan participation. Forty per cent expect special service, whereas only 22 per cent of the 35- to 44-year-old age group expects so much.
- More than a third of the middle and upper class (34 per cent) feel strongly that their economic prospects will improve over the next decade, and 55 per cent of high socio-economic class consumers share that positive economic outlook. Sub-groups are equally optimistic; 51 per cent of those aged 26 to 34 strongly believe that their economic prospects will improve in the coming years.

So how does a company in India, whether it is a start-up, a major corporation or a multi-national, engender loyalty among its hundreds of millions of increasingly discerning consumers?

Define relevance: For starters, brands must use their data to identify what is relevant to their customers and then tailor communications, opportunities and experiences to respond to that important need. This does not always mean sending offers or discounts. Using loyalty as a price and promotion vehicle will only condition customers to purchase that brand when it is on sale. They will equate the brand with the discounts – not with a good experience, an emotional connection or any of the elements necessary to building loyalty. Even worse, rivals can easily replicate a

brand's sales and promotions tactics.

Build emotional loyalty: Relevance is key because it represents the most powerful opportunity for companies to create emotional loyalty with their customers – and that is a hard-to-beat distinguishing feature. In every industry, there are usually only one or two players with the scale and operations to consistently lead on price or even on innovation. All others are left fighting for remnants of business, not for engaged customers. A brand that wants to win loyalty should recognise what separates it from the others, what makes its customers love it, and then build on those qualities. This dedication is what leads to emotional loyalty, which transcends mere behavioural habits of shopping on price. It occurs when a customer sticks with a specific brand even if there are comparable or even more convenient alternatives available.

Expand on the value: Once it has identified that shining, distinguishing feature, the company should think of new ways to add value beyond it. What complementary services or experiences will further wow existing customers, while attracting new, different consumers? Building added features into the loyalty initiative that support this premise will serve the company better, in the long run, than simply running promotions.

Winning loyalty is a universal challenge. The good news is that the solutions can cross borders. From India to the United States to Brazil, gaining loyalty is a matter of winning trust. And knowing more about your customers is a critical part of building it. 



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