Whitepaper.

A brief, no-nonsense guide to using data science to turbo-charge customer loyalty.

dataIQ™
AWARDS
2020
WINNER

BEST DATA AND ANALYTICS
TEAM (ENABLER)

Contents.

Introduction.

Think of customer loyalty as the smile you put on your customer's face, again and again (and again). It's all about building engaged audiences that make repeat purchases, enjoy your products and services, interact with you over multiple channels and even become brand advocates, sharing their recommendations with friends, peers, colleagues and in the public domain.

Customer loyalty has always been a key performance indicator of business success, and during the pandemic its impact has only grown as digitalisation has been accelerated, consumer interactions have moved further online and businesses have focussed on selling more into their existing base than acquiring new customers. Customers that are already known and understood take priority over leads and prospects that may never convert. They've already been persuaded to buy so the opportunity is there to cross-sell, upsell, extend and renew with thoughtful, targeted offers.

So how does data science help? By layering advanced analytics into the go-to-market toolkit, it becomes easier to segment customers by the nature of their loyalty. This in turn allows businesses to understand customer motivations at a granular level, model 'what if?' scenarios and create high impact campaigns with predictable outcomes.

The ROI of customer loyalty.

Does increased investment in customer retention directly affect revenue? It's often stated that it costs at least five times more to attract a new customer than to keep an existing one. The process of encouraging a new prospect to the point of purchase is often long, expensive and convoluted, especially for high-value purchases. Returning customers are more familiar and confident, which can trigger bigger basket sizes and wider exposure to product categories.

Study after study has shown that the more engaged customers become, the more they purchase and recommend to others. From a 'know your customer' point of view, returning customers also start to exhibit behaviour patterns and product preferences that sellers can capture.

It's neither fast nor simple to find and nurture these ideal customers, or to turn one-time purchasers into long-term advocates. And unsurprisingly, building the big picture starts with good data. In an age where every company should be mining first-party and third-party data for value, there are two critical considerations: data quality and data management. If data is of insufficient quality, skewed or incomplete, it must be ignored or at least deprioritised. Assessing the complexity of data sets to create and maintain is essential and requires an understanding of how new data aligns with your existing infrastructure, skill sets and tools.

If your data is collected, stored and analysed optimally it will lead to competitive differentiation and delighted customers. Then apply a data science lens to these fundamentals and watch customer lifetime value increase exponentially. Imagine what you could do if you had more certainty in your strategies and actions, and could make and test decisions quicker...

How data science can turbo charge your success.

The value of data science initiatives has been widely proven in retail, finance, gaming, hospitality and other customer-centric sectors.

We can use supervised learning to predict customers who may be ready to engage on multiple channels (an omni-channel retail customer for example who engages via a mobile app, website and in-store can be worth up to 3 times more than a customer who engages via a single route).

Using clustering (unsupervised learning) based on purchase patterns and product preferences, we can surface groups and subgroups of discount behaviour, the types of discount and promotions, time of the year, and depth of discount. This provides a pragmatic approach to personalisation with a balance between granular differentiators and campaign operational efficiency.

Another use case of supervised learning is identifying newly recruited customers that are likely to make repeat purchases. This allows campaigns to target and incentivise those less likely to return as a focused investment, and at the same time understand the first-time purchase scenarios that are more likely to lead to repeat business (the most effective campaign channel, and the most effective products and messaging).

Case study: a global leader in craft beer.

Business ambition.

BrewDog is the UK's fast-growing food and drinks company, with an average annual growth of 167%. Their mission is clear – to revolutionise the beer industry in Britain, embracing a more crafted and customer-focused strategy.

The specific challenge.

BrewDog's business objective was to improve customer lifetime value. One of the focuses was to use their data to improve the personalisation of customer interactions and create high quality and enhanced hospitality, yet familiar, inclusive comfortable settings both impacting their in-bar experience and online.

How data science helped.

Ascent's Data Science team conducted interactive workshops that helped identify and prioritise specific use cases in support of this objective. As one of the initiatives, the 'Next Best Beer' Recommender Engine was integrated into BrewDog's marketing automation platform and achieved 2x efficiency (in A/B testing, compared to BAU) in customer digital communications by intelligently identifying the relevant customers for product-specific messaging. Combined with mobile app integration, the recommendations will create highly relevant and consistent interactions and product exposure – true to the overall aim of the omni-channel shopping experience. This Recommender Engine helped BrewDog prove the value of their data as part of their existing processes and leverage customer loyalty.

What we can take away:

-    Stay aligned to business strategy, so that you do something meaningful.

-    Think big before you focus in, so that you don't miss the best opportunity.

-    Pick a scalable solution and pilot it, so that you prove the value and can expand quickly.

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Case study: a fast-growing gym chain.

Business ambition.

The Gym Group are a forward-thinking data-oriented business, with a 750k strong member base. Over the past 3 years, they've been on a mission to grow their analytic capability across a number of areas, including customer retention and pricing.

The specific challenge.

With over 200 fitness locations across the UK, the Gym Group wanted to harness their existing data intelligence in order to improve customer retention and optimise pricing within this highly competitive sector.

How data science helped.

The creation of reliable data sets has been used as a platform for understanding customer behaviour and positive and negative trigger actions. Our engagement has helped The Gym Group better understand member behaviours and to establish the right capabilities to deliver data-led change. The company is now able to effectively engage with members via highly targeted marketing campaigns that boost customer retention, with a proven and measurable ROI.
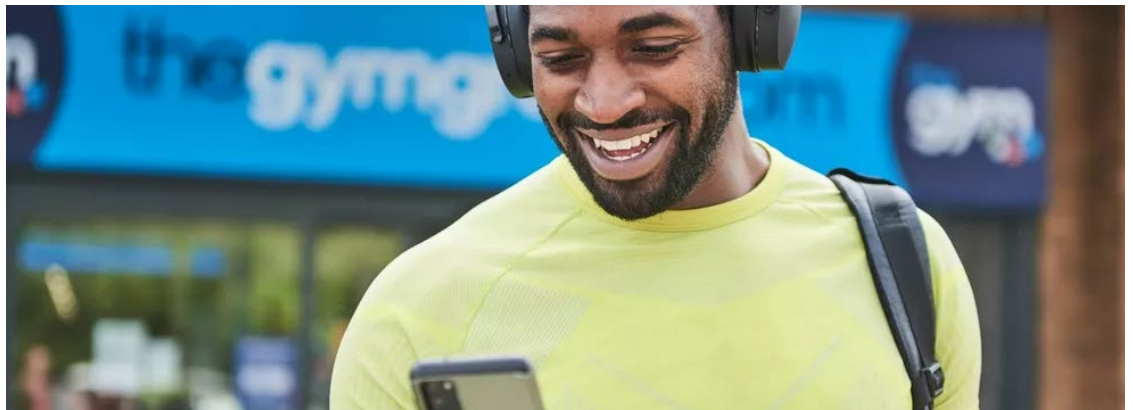
What we can take away:

- Volume businesses are among those that benefit the most from data.
- Build a data set that you trust, so that you can make informed decisions quickly.
- Prioritise initiatives that can prove impact and value the easiest.

7 tips for driving customer loyalty with data.

As Lauren Villenueve of Gartner noted: "The best service organisations capitalise on interactions that impact loyalty through value enhancement. They not only resolve customer issues, they also make sure customers leave an interaction more confident in their purchase decision and better able to maximise the value of their product or service."

Customer loyalty has become a major theme for conferences, analysts and the media, but it needn't be that complicated or hard, especially not at the beginning of the journey. Here's our 7 tips for driving customer loyalty with data.

01 Gather data from multiple sources.

Formally collect and harness relevant owned and third-party data to build a wide range of data points. The big picture is helpful – even if it is not always perfectly in focus or 100% reliable (yet).

02 Build trustability.

From your data points, develop your data quality until it becomes robust and reliable. It must be defined carefully and united for consistency of purpose. The data integration layer will underpin all subsequent success and the risk of not following these actions is familiar: garbage in, garbage out. Kick out data ambiguity. Clean up your environment: put a data engineering function in place and define data and metadata for clarity. Build a trusted pool of knowledge from that data, so that you are happy to use it to make decisions.

03 Understand buyer behaviours.

Use your data to build and continuously refine as detailed a picture of your buyer

as possible. Get to know the persona. To sell consistently and increase customer lifetime value, you will need to establish customer/prospect needs and motives for purchasing, as well as triggers that accelerate purchasing. Find hidden insights by querying and interrogating the data in different ways to find new patterns and value: how frequently does your buyer return? What's their average spend per visit? Which offers do they respond to? Do they spend more in your app or on your site?

04 Seek and act on feedback.

Soliciting feedback is an obvious table-stakes move to track audience sentiment and thinking - today this can be done through social listening and activity monitoring, as well as via direct interactions. Tap into the power of social media and customer forums. These are excellent sources to understand needs, desires, passions, turn-offs and frustrations.

05 Communicate key insights clearly and quickly.

Use simple BI dashboards that everyone can understand. Make actions visible. To win the buy-in of leaders, budget holders and stakeholders, show pipeline movement, build dashboards, make use of business intelligence across communications lines - and don't forget to celebrate your successes!

06 Pilot: learn fast and improve quickly.

Create a feedback loop. Monitor, learn, and act. Establish a quantitative way to understand data via constant monitoring and A/B testing. This will help you to evolve a deeper understanding of customers and target them through progressively more effective marketing campaigns.

07 Use data to personalise service.

Impactful, personalised experiences have always been a driver for customer loyalty. Explore opportunities to personalise interactions with data and data science to keep customers with you for the long term: from the little things like persistent wishlists and milestone recognition (anniversaries & birthdays) to predictive product selections and recommendations.

Conclusion.

Everybody wants to inspire loyalty and increase customer lifetime value - but execution challenges abound. It can be tough to see the wood for the trees – and data engineers and data scientists who can unravel complex data sets are often hard to find and expensive to retain.

Bringing in external expertise can address the skills gap and introduces a valuable outside-in perspective to break down cultural barriers and disrupt the familiar 'We've Always Done It This Way' approach.

If you are looking for an experienced analytic partner with the technical capability, performance and resource scale to accelerate your loyalty objectives, get in touch: letstalk@ascent.io.

ASCENT

Our award-winning data science teams help establish predictive capabilities in your business that empower you to answer critical strategic and tactical questions with confidence. This includes the development and deployment of advanced analytic models to optimise decision-making that allow you to accelerate growth and transform performance.