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CRM Loyalty Programs

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Abstract:

AIM: The research paper is exploratory in nature in helps in understanding and revisiting the fundamentals of Customer Relationship Management (CRM) from literature reviews, definitions and models on CRM. Also the study attempts to assess the role of Loyalty Programs and how it helps in gaining customer loyalty and collecting customer data.

METHODOLOGY: The study is descriptive and qualitative in nature in clarifying the definitions and conceptual foundations of CRM. Secondary data on CRM are gathered, analysed and summarized.

OUTCOME: The Research study is informative and attempts to simplify the various classifications of CRM and its impact on society and business in general, the research expectation and output are indentifying the role CRM and its impact with use of loyalty programs. There is a tremendous surge of applications dedicated to CRM and its general usage in the business and service sectors and this information could be beneficial to anyone who is still unaware of the potential implications of automation and use of CRM systems and use loyalty programs to increase customer loyalty and awareness.

Keywords: CRM, Customer Relationship Management, CRM IT, CRM factors, Marketing, Loyalty Programs, Trends in Marketing

INTRODUCTION

CRM stands for principles, practices and guidelines that an organisation adheres to when it is interacting with its customers, from the organisations point of view, the relationship means direct interaction with customers and using this interaction to process services, sales and gather information to not only forecast their behaviour but also analyse trends and behaviours (Marshall Hargrave, 2020) Customer relationship gained prominence in the early 1990s , due to the rise in technology and process based solutions and an inherent need to create solutions for the constant issues in managing customer data and not being able to keep them in the right place and at the right time, there was always a lack of awareness and potential to use this data for better use, companies and business both had to reinvent their outlook towards customer data and use this to understand how best to keep them satisfied and also come up with a novel method to not only collect, store and analyse customer information but also leverage technology to perform these tasks on a regular basis.

Gary Armstrong said that CRM is concerned with management of detail in any customer touch points and to use those for maximising customer loyalty and enhancing their

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experience. Customer equity as we all know is the sum of all values of a customer in his /her lifetime, and this is critical factor for development of CRM and how to leverage it for better use. Customer Loyalty programs are an extension of CRM and is an approach to recognise and reward customers in engagement and purchase of their respective brand on a continuous basis. Beyond Philosophy states that Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services (Beyond Philosophy). The industry is divided in to what makes up customer loyalty?

Some assume customer loyalty to be more related to attitude and others relate it to their behaviour towards a particular brand or product. Customers usually experience a mix of both the factors and there are also chances that their loyalty towards a brand may be inherited or caused by many factors which we are looking to find.

OBJECTIVES
  ➢ To understand the basics of CRM[Customer relationship management]
  ➢ To study the various programs about customer loyalty.

METHODOLOGY
The research is conducted using descriptive methodology and comprise mainly on qualitative
data. The research is conducted to understand the way the things are and function. It mainly focuses on the conceptual understanding of the topic and its relation to the world.

CRM Concepts
        CRM is everything we think about when we discuss customers relations such as strategies , practices and use of technologies in order to not just manage but also to know and use those data points to improving customer relations and increase the lifespan of it , the entire purpose of this activity or process is not just sales but also customer retention and using them to advertise and benefit the company, there are multitude of factors at play and for these to work we need to understand that this is an ongoing and yet a very dynamic process .
        There are various data points or customer point of contact such as company's website, email, social media handles, helpline or toll –free numbers, office staff and other sources, all these data points help us collect information such as product purchased, buying preferences etc.CRM is a source of information which is used to not just manage interactions but helps in understanding potential customers and is a very apt tool for customer retention and ultimately propelling sales growth,CRM has evolved into an IT enabled application , many of the leading and business organizations around the world are currently leveraging in the power of CRM, company such as Oracle and SAP have created specific ERP (enterprise resources planning) tools which includes CRM such as people soft and SAP modules in HR. CRM solutions helps organizations cater to the customer's needs, preferences and requirements , they help sales and operations and other business process to have a single platform which enables in uniformed decision making.

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Types of CRM

CRM is critical function of any customer facing enterprise today, from FMCG to telecommunications and High-tech manufacturing, businesses require customer information and data points to be in the race and stay relevant, following are the different types of CRM applications (tikku, 2020) which are in use to perform various activities related to customer data:

- Operational CRM – streamlines business process and helps in generation of leads and uses include contacts management, details capture point of customers e.g., sales automation and marketing automation
- Analytical CRM – helps management analyse data and uses this data to determine how best to serve customers.
- Collaborative CRM – is more strategic in nature and hence acts as an enabler of data for various stakeholders such as sales, marketing and technical team to use this information to cohesively use it to better direct the resources and focus on where the quality is required and acquire knowledgebase for new customers.

Customer loyalty is an important aspect of customer relationship management, it is a measure of how a customer likes to repeat a business with a company or brand, this is only possible if the customer is consistently satisfied and is able to have positive experiences and exhibit empathy or emotion towards the entire buying process. Customers are loyal as long as they are able to get a quality product or service which seems familiar and brings back positive and emotional attachment/feelings. (Send Pulse, 2022) When it comes to customer being loyal, following are some of the characteristics of the same:

1. They are always loyal and support the same brand/product
2. They are not always looking for a replacement /competing brand
3. It's not easy as a company to impress a hardcore loyalist and in most cases they would never even lend an ear.
4. They not only trust and value the company they like, but are also open to buy things other than the product bought from the same brand/company
5. They are actively involved and in most cases also act as brand ambassadors
6. They will be more tolerant and accepting of errors or faulty services and would be more generous in critiquing.

One thing is well established in the business world is that no matter how big or small your enterprise, customer loyalty is a vital ingredient for your success. Customer loyalty can be rather figuratively explained in the following way:

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Figure 1: (mba Skool, 2020)

There are different types of Loyalty programs to engage the customers on a day to day and regular basis as shown above:

- **Discounts**: Discounts are the most known and well accepted loyalty programs, as customers we not only feel good getting them, but in most case as a loyal customer you expect the same from the company.
- **Points** : Not only are the points system a hit with customer, but sometime it leads a competitive streak among peers who like the same brand and are heavily invested in its purchase, this also allows the company to enjoy brand equity and build more data points on purchase frequency and time.
- **Cash backs** : As part of the loyalty program , this is often a underutilised tool to market, as a credit tool, its often beneficial to not just online shopping, but also aids in geographic segmented sales
- **Partnerships**: usually partnership programs are beneficial not just for the company in sales, but in fact helps customers get more leverage and hence benefits both the companies alike such as McDonalds and Coca-Cola. (Strategic Partnering)
- **Coalition**: Sometimes multiple companies/brands come forward to stand as a single front and hence offer attractive incentives and benefits which can be super beneficial to the regular or loyal customers
- **Clubs**: many at times based on how much we buy or use a service , companies allot certain exclusive cards , not only are these rewards programs most cherished , they attach a certain level of status and importance to the customers, such as the frequent flier programs, which even spurted a Hollywood movie on Tom Stuker life (Tom Leonard, 2019)

When we understand even further about what makes up customer loyalty, we usually come up against two categories of loyalty namely emotional and the other behavioural.

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Emotional: This type of loyalty is where the customers are emotionally attached to a brand /company of their choice and have a sense of love. This is further differentiated into affective loyalty, conative loyalty an active loyalty (Andres Kuusik, 2013)

Behavioural: as the word says it's more related to a feeling or positive attitude towards the company or brand (Bob Hayes , 2013). This is further divided into forced loyalty, inert loyalty and functional loyalty

Is Customer Loyalty Essential?

In today's world, the customer is king and he has many choices, and hence more loyal your customers means more spend and sure analysis on profits and predictions, there are so many advantages in knowing and behaving in the direction of the customers focus, hence if you focus on your existing customer, (Brandon Stewart, 2019)they will continue to buy your services /products and will not only increase their spend value on you but also create generations of goodwill and word of mouth publicity for you, companies face constant and pressure filled competition all the time and there are times and there are interventions created to handle and stabilise unknown occurrences, but only in the case of regular and loyal customers can the company be sure of its sales and take additional decisions , sometimes in this fierce competition , many customers are faced with a choice to switch and in case if there is a large scale movement of sales from one product/service to another, it could not only embarrass but potentially kill the business, hence one such sure shot strategy is the create a customer loyalty program which stops customer from switching and in fact helps them solidify their commitments and instead make them a promoter. Customer being loyal means more benefits and rewards to the customers and a happy customer means only one thing that there is going to be repeat purchases and in turn he will market the products for you, loyal customers also produce more conversion than the regular customers and this could mean a significant presence in the market, they are also responsible for profits and spend more time than the average first time customers. Customer loyalty helps in planning and keeps all functions of the business up and running, there is data to suggest that it's cheaper to maintain an existing customer than acquiring a new one. (Send Pulse, 2022)

Over the last few years there has been a considerable change in the CRM loyalty programs, with the super fast change in technology or the consumer buying behaviour and patterns and the every changing information technology world has made, services and products unheard of even closer than before and now customers are able to order and get things delivered anywhere around the world, hence there has been a generational shift in how we as customers engage and respond to our favourite brands and use these approaches , there has been changes in the medium of communication and technology and this can be illustrated with the following representation. This digital era brings in a plethora of tools and techniques where assimilation of knowledge and information is almost unbelievable, such as AI (Artificial Intelligence), Big Data etc.
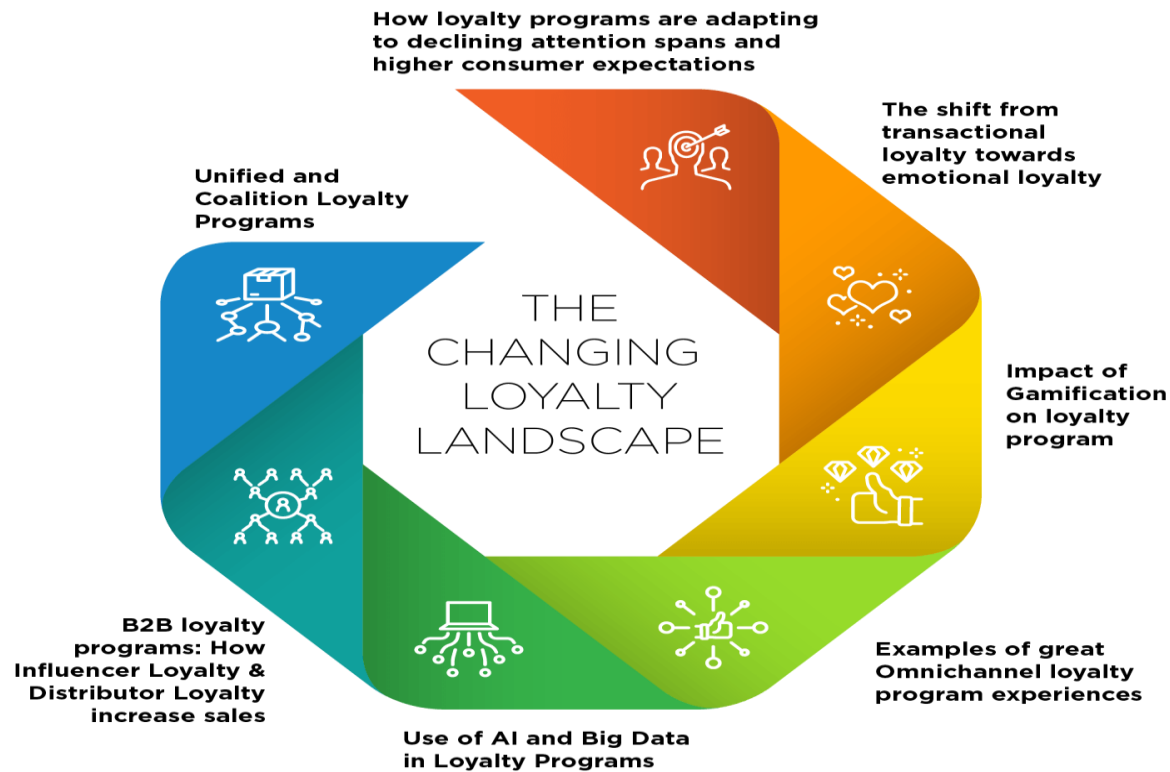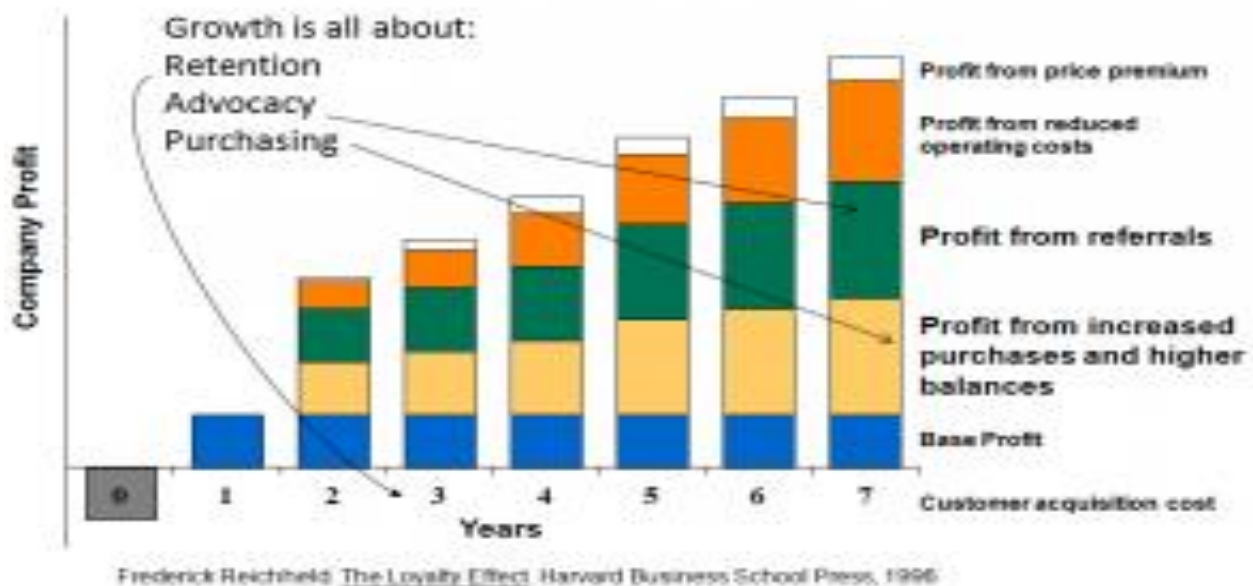
Source: (Dominic Machado, 2020)

Experiential Engagement: Consumers are more aware than ever about the respective brands and companies, with internet and now with mobile devices; Information is no longer restricted to certain office or home workstations, there has to be more focus on creating experiences for their loyal customers, engagement at an emotional level should be the way forward and we can to create solutions and campaigns which actively involves them, ownership and responsibility should be wisely used to subtly place our product and not just for the sake of doing it.

Fun and Games: most often than not we are constantly distracted, and in most cases we end up wasting time on games and being addicted to them without us realising, and companies have understand that this distraction could be made into revenue with loyalty programs, more number of mobile and PC games are now tied up with top brands over the world for not just product promotions , but to ensure that customers are constantly reminded of their favourite products and keep them interested in the happenings of the brand.

AI and Big Data: with the onset of newer and better technologies, Artificial Intelligence has captured not just tech enthusiast but also has made decisions making an art, we are now able to use large volumes of data and combine them seamlessly across various touch points and build trends and create opportunities which we could never have, the crazier part is the live and real time data being processed.

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One of the most important aspects of growth in any business is about how best we treat our customers and use their good will to further the profits and create wealth around it, Fred Reichheld (Hayes, 2017) says that customer loyalty is multidimensional and there are three types of customer loyalty which are as under:

Company Growth Depends on Three Types of Customer Loyalty Behaviors

Growth is all about:
Retention
Advocacy
Purchasing

Profit from price premium
Profit from reduced operating costs
Profit from referrals
Profit from increased purchases and higher balances
Base Profit
Customer acquisition cost

Company Profit

Years: 0 1 2 3 4 5 6 7

Frederick Reichheld The Loyalty Effect Harvard Business School Press, 1996

Source: (Hayes, 2017)

- Retention Loyalty : it is the extent to which customers remain customers and do not use a competing product or service and in effect become long term assets and are almost easier to service
- Advocacy Loyalty: It is extent to which customers are your advocates and promote the brands/products at every given opportunity and lead to more customers and create equity
- Purchasing loyalty: it is the extent to which customers fancy your product or service and keep buying them and lead to increase in average revenue per customer.

Based on the above, we can also study another model which discusses the lifetime value model and focuses on customer loyalty as a mediator between what the company does and company value, customer loyalty plays a pivotal role in understanding the increase in firm value and its effect on retention behaviour, advocacy and purchasing behaviours
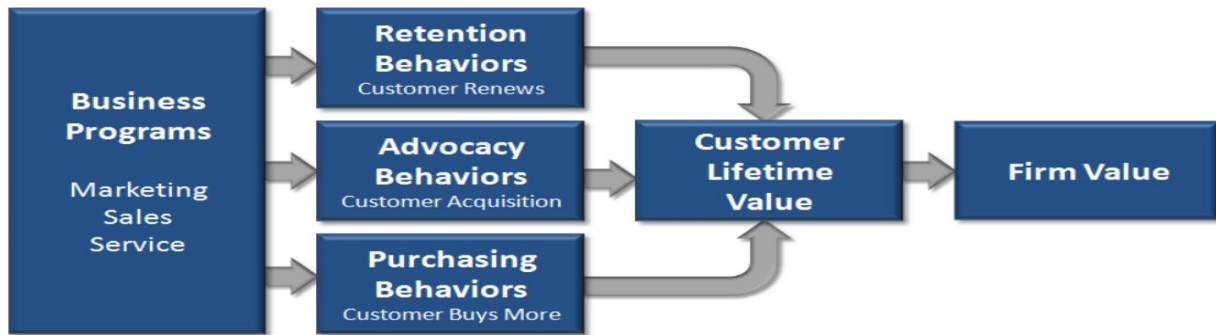
Based on the article by Gupta, et al. (2006). Modeling customer lifetime value. Journal of Service Research, 9(2), 139-155.

Source: (Sunil Gupta, 2006)

Customer Loyalty Framework:

One of the most important aspects of all the endeavours in any marketing activity or scenario is the return on investments and getting a heads up, the loyalty metrics have been brilliantly discussed by Bob Hayes (Bob Hayes, 2013), he say that metrics should include those attitudes and behaviours that will have an impact positively on the company profits and increase their value, depending on what kind of strategy we use, whether objective measurement or subjective measurement , we should cover the most essential traits such as customer retention, loyalty and purchasing. Some of the objective customer loyalty metrics include Churn rates, service contract renewal rates, percentage of new customers and usage and sales metrics.

Source: (Bob Hayes , 2013)

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CONCLUSION

At its most essential, CRM acts as an instrument that allows you to make important associations along with your clients. CRM highlights and assist you in overseeing the communication between a client and each potential lead, as they advance down a deal. Pipelines can be more easily checked and different percentages can be allocated and success value can be forecasted, and CRM can make a difference in not just you recording and recovering information, it also oversees any authoritative errands such as planning and follow-ups and creating bits of knowledge to share with other divisions in your organisation. Loyalty programs can not only makes a reliable source of information, it propels your organisation even further with more and more number of people recommending your product and if you keep your promises to your customers on their effective purchases and deliver on time all the time, then you have yourself a relationship built on trust and faith, which is considered a very difficult thing to achieve in business and takes long time in getting it, there has been enough evidences presented here about the impact of customer retention, advocacy and constant purchasing of goods and services , which impact the overall profits and goodwill of the company. Most companies are willing to have a robust and strong customer loyalty programs and one of the core elements of CRM is the tracking and knowledge of important and regular customers and if we are not able to strategise to retain and make them a part of our business, then we are failing at the highest level, it is not just the responsibility of the marketing, but also the top management that they invest and encourage in assimilation and automation of the said business processes, a loyalty program can only be as good as its company policies .

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