

PERSPECTIVE

Customer Loyalty Quotient Strategy: Key to an emotional connect with customers



Abstract

In the current scenario, creating the ultimate customer experience that appeals to both head and heart should be the goal of the organization. A good customer experience leads to an emotional connect with the customers and that will lead to ultimate customer loyalty. A loyal customer is a brand ambassador for the organization. To maximize the profit of an organization, they should find ways to improve customer loyalty.

Ultimately there should be three goals of an organization: Gain more loyal customers, convert customers who have a negative image about the organization to loyal customers, and convert neutral customers to loyal customers.

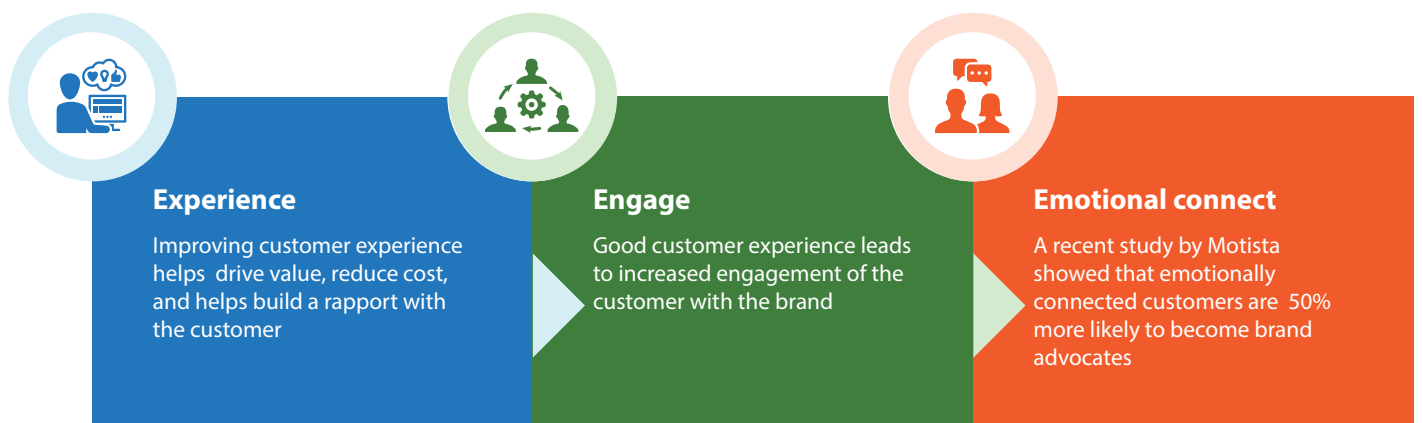
This perspective introduces a loyalty metric which can help an organization achieve all the above goals. The loyalty metric discussed is the customer loyalty quotient (CLQ), Further this perspective deals with the ways with which an organization can introduce a successful 'customer loyalty quotient' in an organization. Also it explains the CLQ strategy with a case study of a hotel loyalty program.

Introduction

In the current scenario, creating the ultimate customer experience that appeals to both the heart and the head should be the goal of the organization. According to a Gartner report, 91% of marketing leaders believe that in two years they will be competing primarily on the basis of customer experience.



Ultimate customer experience leads to customer engagement and customer loyalty



A customer experience leads to customer engagement and that will lead to an emotional connection with the customer.

A customer who is emotionally connected to an organization, is a loyal customer, and this will lead to:

- Increased wallet share
- Increased customer life time value
- Higher revenue growth.

Conventional challenges faced by businesses

Elucidated below are some of the tough questions posed to businesses.

- How can an organization maintain the loyalty of their customers?
- How can an organization gauge the effectiveness of customer experience and realize the level of engagement they are trying to achieve with their customers?

Companies across industries need to study **customer behavior** and chalk out their **customer service and loyalty strategies** so as to predict and influence the future behavior of their customers, enabling them to retain their loyal promoters and to convert detractors as well.

Customer loyalty quotient – a metric that can help understand customer behavior

When compared to businesses that do not **implement an action planning process**, companies that have an action plan are significantly more likely to **achieve a sustainable increase in customer satisfaction and loyalty**, achieve notable gains more quickly at a lower cost, and ensure that the results are integrated into the culture of the organization. A customer loyalty metric that can help organizations gauge and forecast the behavior of their customers and measure the effectiveness of their actions can be achieved through the **customer loyalty quotient**.

An organization's strategy to measure customer loyalty quotient (CLQ)

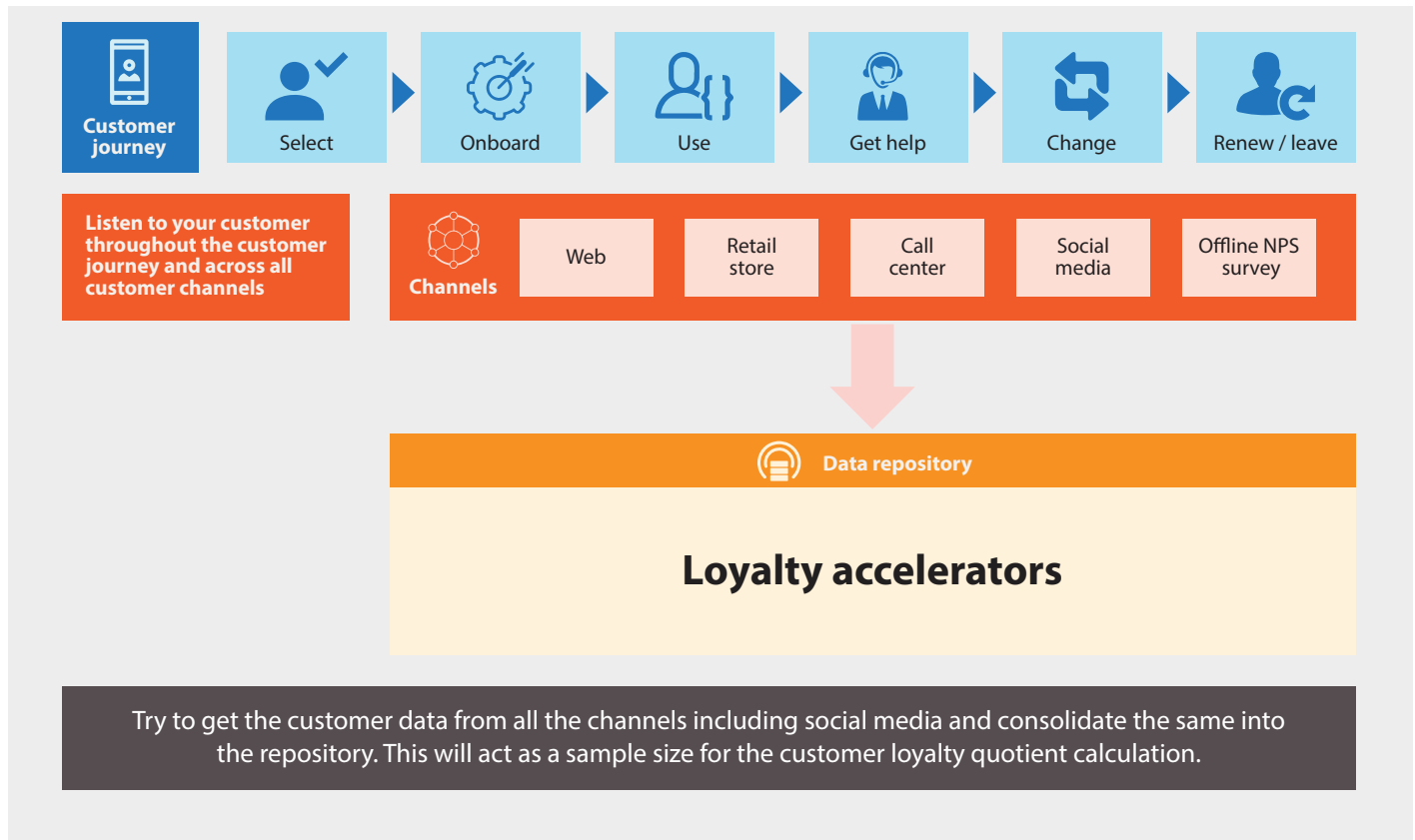
To create promoters who will help the organization thrive, organizations need to manage their customer experience across the entire customer journey.

Organizations should follow three steps to formulate an effective customer loyalty quotient strategy. They are:

- **Step 1:** Design an organization listening strategy based on the customer journey
- **Step 2:** Design an action framework based on the defined listening strategy
- **Step 3:** Work on the action framework to reap the extended advantage of CLQ strategy



Step 1 Design an organization listening strategy based on the customer journey



The first step towards formulating an effective 'customer loyalty quotient' strategy is to listen to your customers effectively. An effective listening strategy will help an organization:

- Gather insights about the customers' experiences at the moment of truth
- Gather insights about the customers' experiences throughout the customer journey
- Use the insights to formulate an effective omnichannel strategy
- Streamline the customer journey and help customers engage better with the product
- Identify **advocates, critics,** and **undecided customers** effectively

An advocate is a type of customer who is

emotionally connected to your brand and who will promote your brand. A critic is a type of customer who will always find fault with the brand or the brand experience and will promote your brand negatively. An undecided customer is one who neither holds negative nor positive thoughts about the brand, but is a customer nonetheless. An organization will always have the opportunity to convert such customers to brand advocates with an effective customer listening strategy.

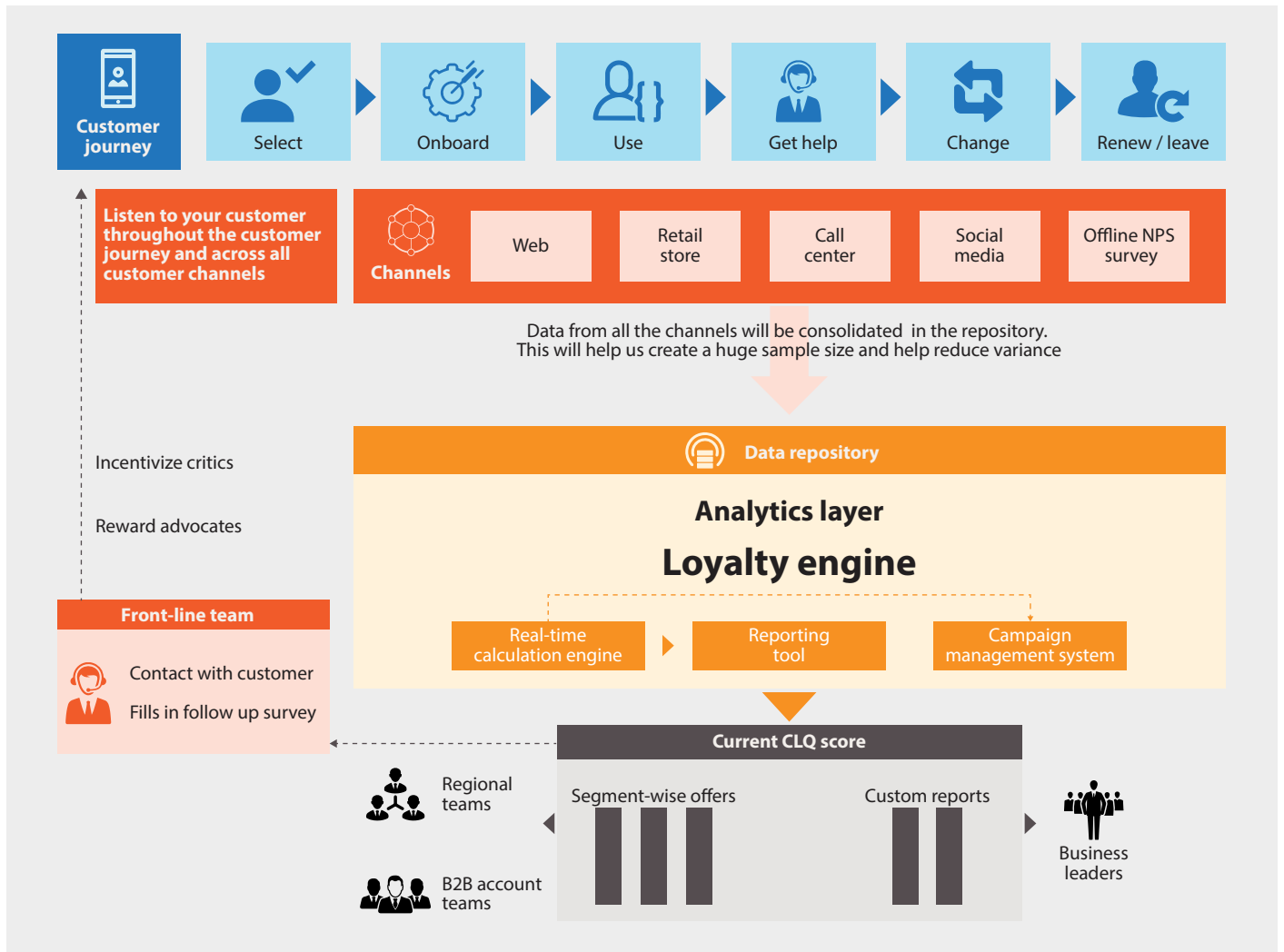
An effective customer loyalty quotient strategy should comprise of a **visible** and an **invisible** listening strategy.

- **Visible listening strategy** – In this strategy, the customer data will be collected across all customer channels using surveys which can be delivered to the customers via mail, or they could

even take the survey on the customer portal of the website. The offline surveys gather insights about the brand's advocate, undecided, and critic customers.

- **Invisible listening strategy** – Insights about the customers can be gathered using social crawling tools. These tools will crawl various websites and categorize the customers in the three defined categories, which are advocate, undecided, and critics. Various insights from various social media websites can be gathered and that will help in formulating a customer loyalty quotient strategy to keep the advocates intact and to convert the undecided and critics to advocates.

STEP 2 Design an action framework based on the defined listening strategy



Once the organization is able to collect the insights using the customer listening strategy, the organization has to formulate an action framework which will aid it in its customer loyalty quotient strategy.

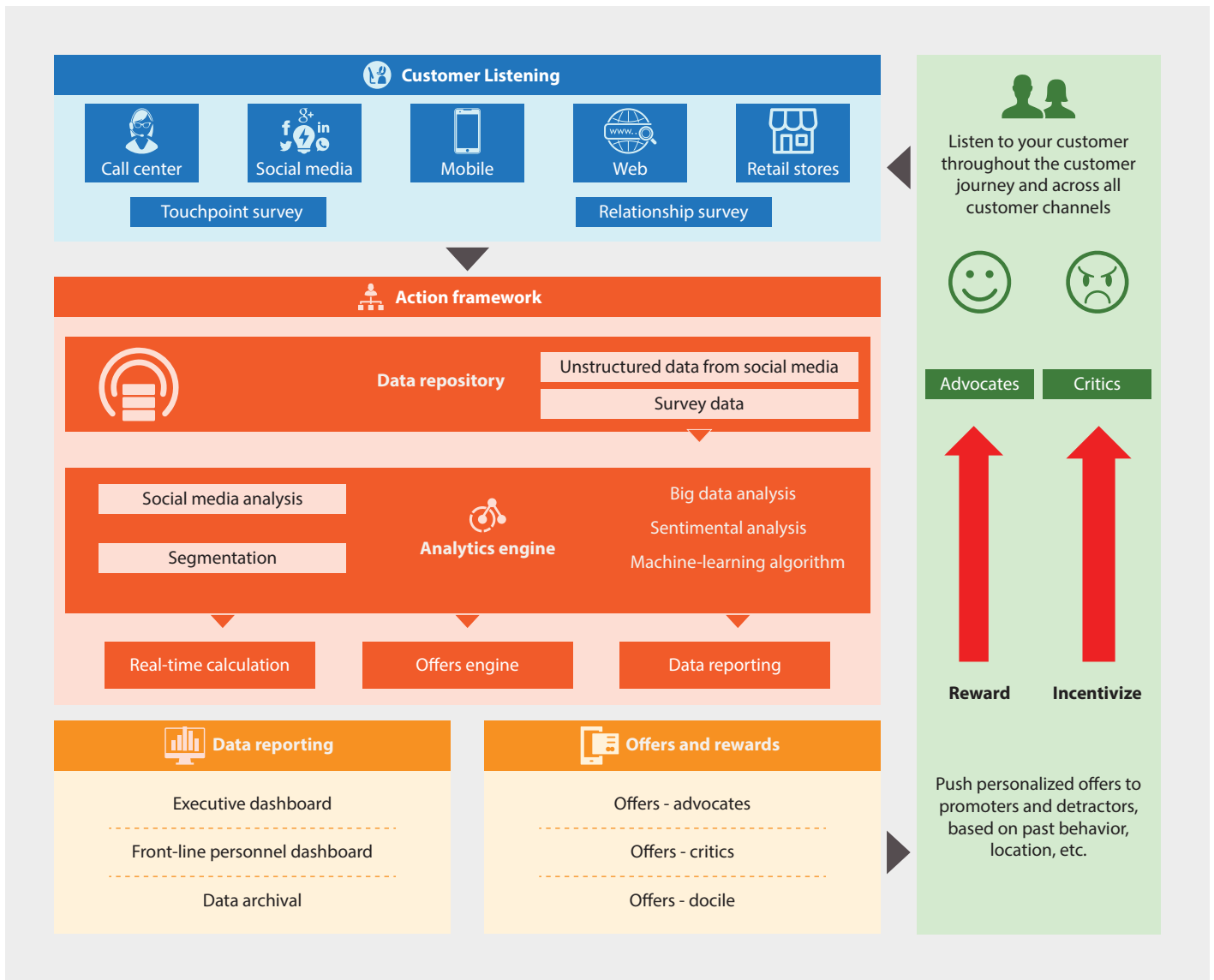
The key component of an action framework is the analytics engine.

The analytics engine will be used to analyze data gathered from the listening

strategy and formulate customer insights. These customer behavioral insights can be gathered using strategies like segmentation analysis, machine-learning algorithms, and big data analysis.



STEP-3 Work on action framework to reap the extended advantage of customer loyalty quotient strategy.



Insights gathered from the action framework will be fed to the campaign management system (CMS) which will utilize these insights to formulate the rewards management strategy. The offers, rewards management, or the campaign management engine will provide the behavioral, dynamic, and location-based offers built on the segmentation done

under the action framework. Segmentation will help segregate customers into categories like advocates, undecided, and critics. After that, segments can be further categorized based on the behavioral insights. For example, advocates can be further segmented based on the age group they belong to.

Based on the segments, offers can be initiated to different customers, however, during the whole process, the idea of customer loyalty quotient should be kept intact which is to:

- Reward the advocates
- Incentivize the critics and the undecided customers

Case study – A hotel loyalty program

Here we elaborate on the concept of ‘customer loyalty quotient’ with an example of a hotel loyalty program.

Steps of ‘customer loyalty quotient’ strategy	Strategy
Step1: Design an organization listening strategy based on the customer journey	Identify the critics, advocates, and undecided customers based on: <ol style="list-style-type: none"> Customers providing reviews on various travel websites like TripAdvisor. All the sentences will undergo sentiment analysis and the number of different types of customers can be gauged based on positive, negative, and neutral reviews. Customer providing reviews on social media websites , blogs, etc.
Step2: Design an action framework based on the defined listening strategy	<ul style="list-style-type: none"> Based on the reviews, the number of undecided, advocates, and critics can be deduced. Customers can be further segmented based on the criterion like behavior, geography, etc. Action framework will be devised based on the type of target segments. For example, critics can be segmented based on their income range.
Step3: Work on action framework to reap the extended advantage of NPS	To reach the extended advantage of NPS, a reward and recognition strategy should be drafted carefully. For example , a middle-income critic will be more attracted to rewards like cash back and run-time discounts while a mere recognition of relationship (sending an anniversary card to the customer) is sufficient for a high-income advocate.

Customer loyalty quotient (CLQ) road map

CLQ will help an organization retain, attract, and engage customers in the long run. But to be efficient in engaging customers with the CLQ strategy, there are certain prerequisites that need to be followed. Businesses must:

- Create an environment for CLQ inside the organization, which effectively means that each and every person inside the organization should be enthusiastic about the CLQ strategy
- Follow a top-down approach where top executives should drive the CLQ strategy. Executives at the bottom of the hierarchy should be equally motivated
- Have a short, medium, and long-term CLQ clearly defined, and each and every person inside the organization should strive to achieve that
- Determine the role of each individual in the organization through role-specific insights and tasks to achieve the overall CLQ goal. Financial linkages and recognitions for the employees should be linked with the overall CLQ strategy
- Focus on the overall customer journey. It should be borne in mind that only a customer journey based on an omnichannel strategy (targeting the right customers and a standardized customer experience across all channels) will bring in the useful data about the overall customer experience
- Teach front-line executives to identify the root cause and close the loop with the customers by effectively addressing their feedback

About the Author



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