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Building customer loyalty can help to beat the credit crunch

As the credit crunch bites deeper, budgets are under threat and marketers are placing renewed faith in measuring the effectiveness of their activity to justify spend.

Just as in sunnier economic times, retention is cheaper than acquisition, so as money is squeezed and it becomes harder to win new customers, building loyalty is even more important.

Many of the more traditional 'broad sweep' marketing approaches are being shelved. A mailshot might only garner a response close to 1%, while probably provoking applications to the Mailing Preference Service (MPS).

But it's not just mail; direct marketing activities are experiencing declining response rates. Telephone Preference Service, MPS and Electoral Roll opt-outs are on the increase, while spam filters are becoming more draconian. Another significant development is the availability of software that removes 'non-desirable' content - in other words, ads.

Above-the-line channels are experiencing similar challenges brought about by consumers being spread ever more thinly across fragmenting channels. Meanwhile, technology is enabling greater opt out and has created a new culture of consumers being in control of their purchasing decisions. The internet is allowing family and friends to review and recommend products as never before, which could have a negative effect on sales if a brand's proposition is not framed in the right way.

This combination of factors means that marketers must establish mutually beneficial relationships with their target audiences to succeed. They must recognise that unless the communication is relevant, it will not work and is just a waste of budget.

Audiences no longer want to be bombarded with unsolicited and unwanted offers, messages, incentives or products. Consequently, there is renewed interest in insight and data-led marketing techniques. These tools focus spend on specific consumer groups by offering messages, products and creative solutions that address the needs of certain segments. If it is possible to identify groups among a target audience, the data can be put under the microscope to allow marketers to discover exactly what it is that people want from campaigns.

Predictive analytics can be used to understand which customers are more likely than others to churn so that appropriate action can be taken to prevent that from occurring earlier in the cycle. Lifetime value analysis can also help identify how much effort should be put into retaining highlighted, 'at risk' customers. Insight into both the current and potential value of a customer allows budget to be focused on the maximum 'head room' segments - the difference between embedded and potential value.

The era of push marketing being enough to boost sales has come to a close. What consumers want is not the hard sell, but a two-way dialogue with the brands they choose. Engaging with consumers, and recognising that they are key contributors to successful marketing strategies, is the starting point. The end result is the creation of a conversation that is equally beneficial to both brand and buyer – a process that could be known as 'mutual marketing'.

By seamlessly bringing together the worlds of real-time online research and marketing data insights, marketers have the tools to respond to both consumer and boardroom concerns. They can ensure that spend is both highly targeted and measurable, that activities are more properly matched to interested audiences.

Marketers who aim to give customers what they desire, when they want it need in-depth insights into consumer purchasing behaviours. Consumers are more likely to willingly provide these key personal insights if they are guaranteed something useful in return - be it special offers, new distribution channels, a makeover of the marketing message or even tweaks to the product itself.

So make the most of existing multi-channel data and real-time research: listen to what people are saying. Give people what they want, when they want it and improve their brand experience. This, in turn, will strengthen an individual's engagement with a product or company; they will be keen to find out more about the brand and begin to feel it is a positive part of their everyday lives.

Interest piqued, an individual is much more likely to stick with a 'friendly' or useful brand. Their repeat purchase, and the growing potential of recommendation to family and friends, will increase sales. The more someone buys from a brand, the deeper the relationship becomes, until they can be counted as loyal consumers, or even brand advocates. And this loyalty should make it much easier for marketers to glean the greater insight into the profile of their customer base that they crave.

For the time being at least, investment in customer insight and understanding the value of customers will be a major factor in their ability to ride out the economic downturn.

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