

Loyalty Strategy and Roadmap for a large GCC based Retail conglomerate



SITUATION

While their existing loyalty program witnessed significant growth in its member base, management had a perception that the program was still not delivering to its fullest potential. Management's expectation from loyalty program was three-fold.

- Leverage rich loyalty data to drive favorable economics for their retail operations
- Create an aspirational pull for the program in the region they operate
- Become a cost-neutral entity in the medium term and eventually an independent profit centre with its own economics organization to help enable the strategy

IMPACT

Some of the issues driven by the lack of the Strategy were around member adoption levels dropping down, low revenue penetration and alarmingly high breakage levels

RESOLUTION

ITC Infotech defined a comprehensive strategy to unlock the value from loyalty program through various organic and ancillary levers and suggested a roadmap with prioritized initiatives required for realizing the strategic objectives.

The Customer

The client is a UAE-based retail conglomerate, which operates retail stores, department stores, shopping malls, and other retail establishments. It has presence in roughly 18 different retail businesses, encompassing a fairly diversified portfolio of 25 homegrown and over 40 franchise brands. The company also operates in the hospitality sector, including food, entertainment, and hotels, and the electronics sector. The 5bn USD + company has operations in 20 countries spanning 7 territories and has a workforce of 45,000 people.

The Need

Client's aspiration of converting loyalty program into a cost neutral entity and driving enterprise wide transformation objectives was really unique in the retail context. However, they lacked the much needed goal congruence within the organization to achieve such an ambitious objective.

Following quotes from various functional managers make this evident!

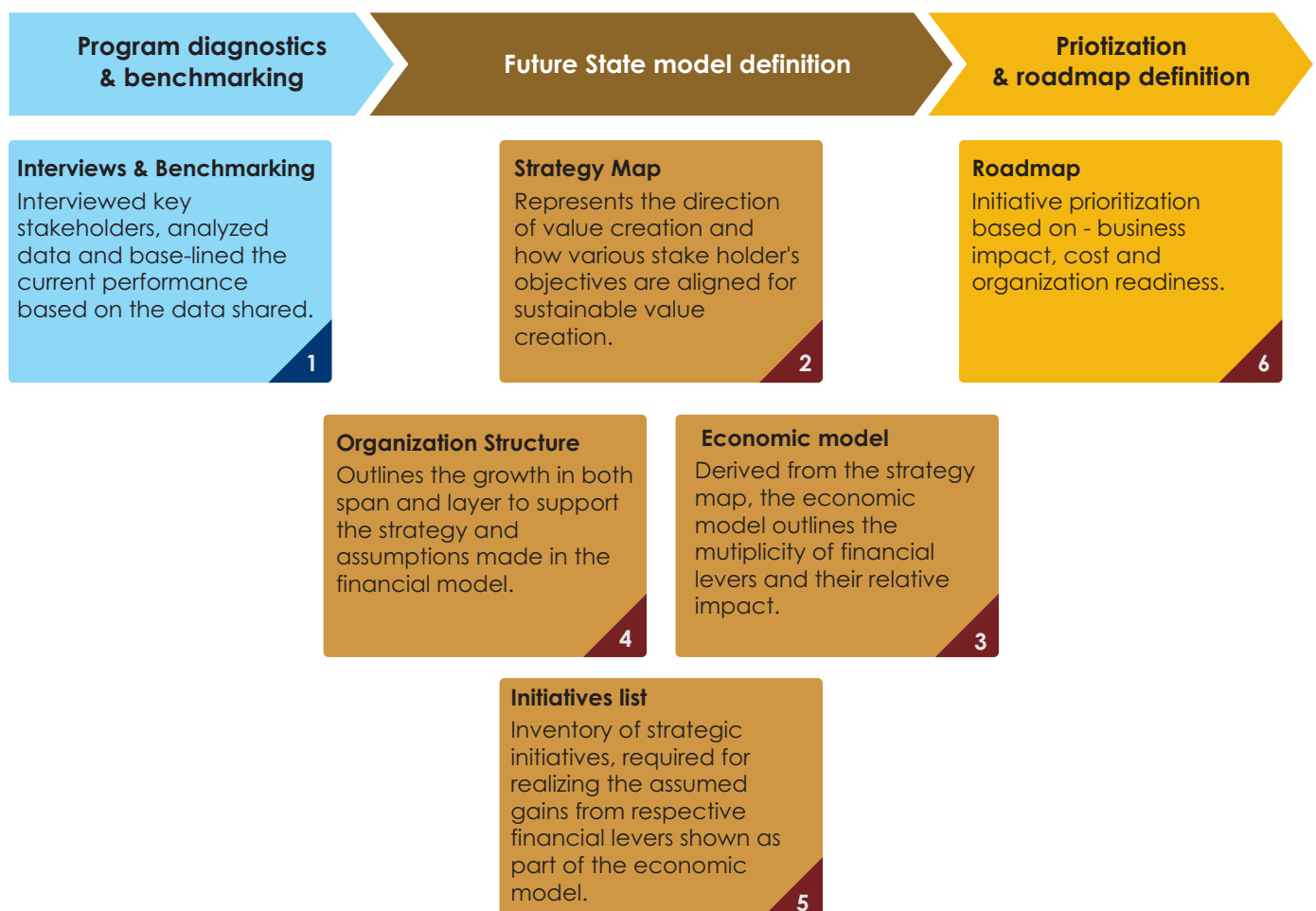
- "We look at the program as a line item between our GP and NP . The Loyalty Program to me is merely a cost effective channel to push my promotions to the member base!"
- "I still don't know my top customers, what do they buy, how much they buy, where they buy from, etc. With the aid of analytics, we could do so much more !"
- "We are not doing enough in terms of engaging our customers beyond merely transactional activities"

The Solution

Strategy formulation for the loyalty program

The team of consultants at the Customer Experience & Loyalty practice at the Business Consulting Group employed a three - phase approach for the engagement that included:

- Program Diagnostics and Benchmarking
- Future State model definition
- Prioritization and Roadmap definition



Program Diagnostics and Benchmarking

As an initial effort to understand the program, our team interacted with key stakeholders within the customer's organization, spanning multiple layers and functions. These included the Executive Management layer (Corporate CEO, Heads of key Businesses), the Corporate Layer comprising Senior Managers from key Businesses and Senior Managers of Corporate Functions. Based on their inputs, the team concluded that while the loyalty program was known to most of the customers, it was not attractive enough to be pursued seriously. Further, the Businesses and Territories were not aware of the actual economic value brought in by the program, the bottom line impact it generated. It was also opined that the program required a superior marketing effort (branding, communication etc.) to attract customer attention.

The team, thus, went about studying the impact of the loyalty program on the customer's business. An in-depth analysis of customer transaction data revealed valuable information about program performance. These insights also formed the basis of the Benchmarking exercise in which the Loyalty program was compared with similar programs cut-across industries.

Future State Model Definition

This critical phase encompassed development of:

- Strategy Map, which outlines the direction of value creation through organic/ancillary levers and how various stake holder's objectives are aligned for sustainable value creation
- Economic Model, derived from the strategy map to outline the multiplicity of financial levers and their relative impact
- Further, the team clearly defined the Loyalty Function's proposed Organization Structure, to support the strategy and assumptions made in the economic model
- The team also suggested a list of strategic initiatives required to realize the financial goals outlined in the economic model

Prioritization and Roadmap Definition

Having defined the strategy and suggested the initiatives required to execute it, the next step was to prioritize these initiatives on a three-year roadmap along with the necessary investment to realize the targeted financial goals. Accordingly the suggested initiatives were grouped into three broad categories - Financial, Loyalty Program and Organizational Change.

The actionable recommendations put forth by our team received a very positive response from the customer's end and the strategy roadmap was presented to the client management team and signed off.

Business Benefits

The results of the 12-week engagement were quite promising and set the stage for realizing the ambitious goals set by the organization.

Strategic

- Enhanced management appreciation towards the Loyalty Program, resulting in ease in resource mobilization for the Loyalty Function to support its strategic goals
- Alignment of strategic objectives of a diverse Stakeholder community through integrated Loyalty performance management model, leading to increased collaboration and goal congruence.
- Value creation through ancillary value levers

Tactical

- Enhanced customer value management capability through effective customer segmentation and design of targeted promotions
- Increase in customer centricity through policy re-definition, enhancement of features and functionalities of the program, front-line employee performance management etc.

Operational

- Increase in efficiency of loyalty management processes
- Quick configuration of complex loyalty campaigns
- Incorporation of features like Tiering and Earn & Burn into the existing Loyalty System.

ITC Infotech's Business Consulting Practice

The Business Consulting Group (BCG) at ITC Infotech is a converging point for business & IT solutions. We aim to transform business performance, bringing a strategic perspective on process improvement and IT enablement. Our team blends domain experts and consultants, bringing unique capabilities to discover and resolve business concerns of the day.

Our expertise spans Consumer Goods, Retail, Process Industry, Logistics & Transportation, across key business functions such as product development, production, supply chain management, sales and marketing management, field force management, and customer relationship management.

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