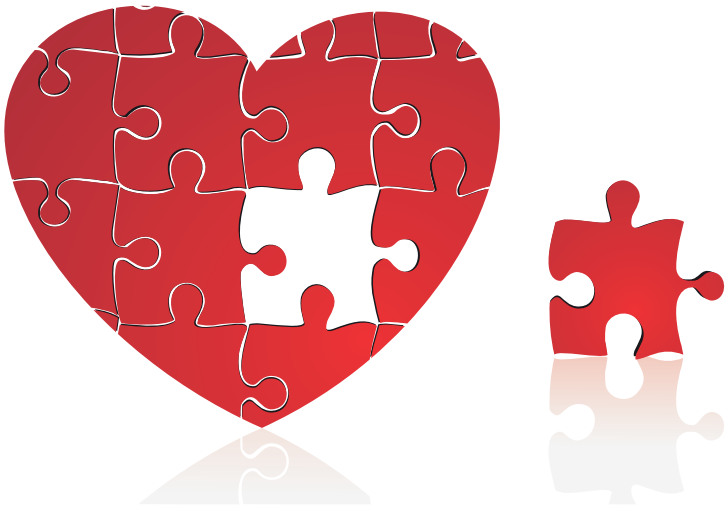
INSIGHT
Delivering Proven Profitability

The 2013 Customer Intimacy Index

A STUDY BY GI INSIGHT MEASURING HOW WELL KEY INDUSTRY SECTORS ARE CONNECTING WITH THEIR CUSTOMERS



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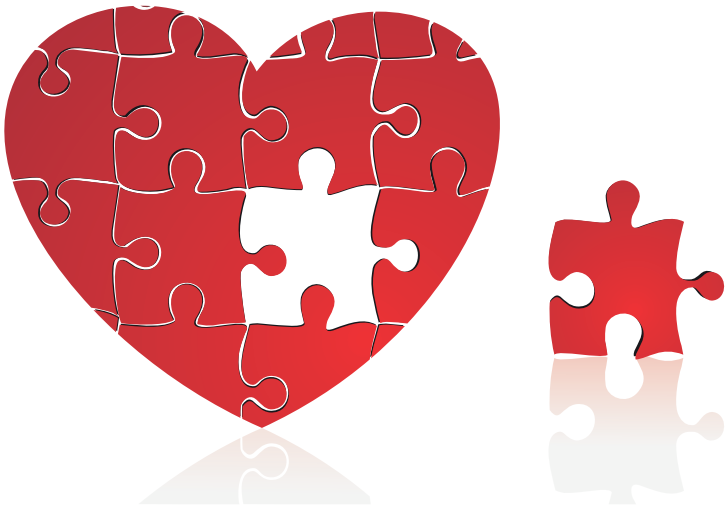
Contents



Key Findings

- In difficult economic times, it is more important than ever for companies to establish strong relationships with their customers using data gathered from multiple touch points, and yet new research from GI Insight suggests that organisations in many sectors are failing to do so
- The second GI Insight Customer Intimacy Index, compiled from a survey of over 1,000 UK consumers, scores a variety of sectors according to the level of familiarity that companies in those industries demonstrate in their customer communications – ranking them from 'knows me like a close friend' to 'treats me like a total stranger'
- The Index reveals that industry sectors with frequent transactions and strong loyalty programmes are viewed in a friendly light by their customers – but also shows that, even in industries in which firms have been successful at connecting with most consumers, there are still some groups that they are failing to reach effectively
- Supermarkets once again top the rankings, with consumers rating their efforts to reflect an understanding of their customers in their communications as 32% above the average with 132 index points – six points higher than in the previous Customer Intimacy Index in 2010
- Banks also score highly, climbing to second place and increasing their Index score by nine points to 125, while mobile phone companies and smartphone brands – a new category coming in fourth – are also considered to have a good knowledge of their customers as reflected in their communications
- Another new category – home furnishings and DIY – scores just 79 in the Index, a surprisingly weak grade that places it alongside other poor performers such as car manufacturers, computer/tablet makers, alcoholic drinks brands and charities, whose score dropped by the biggest margin compared to the previous Index in 2010
- Companies across all sectors are finding it considerably more difficult to convince female consumers that they are using their data effectively to personalise and tailor customer communications, with women scoring all firms ten points lower than men
- When it comes to age, consumers under 45 years old rate the firms they deal with more highly when it comes to demonstrating how well they know them than those on the other side of that age line, with 25-34-year-olds giving them the highest average score of 116
- The research shows that older consumers are markedly less impressed with the levels of personal engagement achieved by the companies they deal with, as respondents in the 45-54 age group gave all sectors an average grade of just 72 – 28% below the average

Finding data marketing success in a new landscape

Companies in today's marketplace are faced with an embarrassment of riches when it comes to the sources of consumer data they have at their disposal. Communication between brands and customers has been revolutionised by online shopping, and, more recently, by developments in social media and online technology. As well as knowing what their customers have bought from them – along with any personal information they have given voluntarily – companies can now track where they buy, which products they have browsed online, and what they are saying about the brand to their friends.

'Big Data' has emerged as a catch-all phrase to encompass all these disparate types of information. And with so much of it available, companies are expected to know their customers better than ever before. However, all this data can be a hindrance as well as a help to companies trying to establish intimate relationships with their customers. What really matters is selecting the right information to use and using it well, making consumers feel valued through well-informed, tailored and relevant communications. It is by demonstrating this personal touch that companies will be able to gain the trust of their customers.

And strengthening relationships by ensuring that the customer experience is a positive one encourages consumers to return to the brand, bringing companies closer to achieving the Holy Grail of customer loyalty. Without the right systems in place, however, this is easier said than done, and personal experience testifies that some firms are much better than others when it comes to using data to deliver well-timed and personalised marketing communications.

So how well do firms really know their customers? And how effectively are they using the information they have? The people best placed to answer these questions are the consumers themselves. GI Insight first posed these questions in 2010 with the inaugural Customer Intimacy Index and the findings provided great insight into how the use of data from loyalty programmes and other sources was being applied successfully by businesses – revealing which sectors were succeeding and which were failing. Since then, smartphones, social media, tablets, and other developments in the era of 'Big Data' have transformed the marketplace, and GI Insight decided it was time to get an updated view of what is really happening in a very different consumer landscape when it comes to one-to-one marketing. So once again, the company undertook a major consumer survey to take the pulse of key industry sectors and see exactly who is falling behind and who is making huge strides when it comes to employing data to forge better bonds with customers.

Introduction

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The 2013 Customer Intimacy Index doesn't just gauge the relative success of each sector, but looks at how various industries are performing when it comes to establishing closer relationships with male and female consumers and with different age groups. With data marketing increasingly finding its way into discussions in the boardrooms of the nation and companies accepting that knowing their customers better does indeed give them a real competitive edge, it has become vital for businesses to understand just how well they and other firms in their industry are capturing and using the right data to foster genuine loyalty and generate new incremental revenues – and how they stack up against other sectors.

> GI Insight undertook a major consumer survey to take the pulse of key industry sectors and see exactly who is falling behind and who is making huge strides when it comes to employing data to forge better bonds with customers.

What's more, knowing about customers – their transactional histories, their behaviour, their preferences, their demographic characteristics and their lifestyles – is just a starting point.

Database marketing initiatives need to be backed with detailed data analysis that enables companies to segment their customers accurately, track the customer journey, and devise appropriate strategies for building personal relationships with them – thus reinforcing their loyalty and making them more likely to spend more and more often. Loyalty programmes are one of the most effective ways to do this, since they create a structure both for gathering valuable and relevant information, and for incentivising customers to carry on buying.

The 2013 Customer Intimacy Index again reveals how consumers rate the companies they deal with. As the volume of customer data that brands can collect increases – and proponents of database marketing apply it in their everyday interactions with customers – so do consumer expectations that companies will demonstrate their knowledge in how they communicate with them. As with the first Index, this study discusses which sectors are making the most of customer data through sophisticated insight and analysis – but in today's accelerated communication environment. The Index indicates which types of business are doing the best job of connecting with customers as the process of gathering information becomes increasingly complex and disparate.

What the numbers show

Following the success of the first Customer Intimacy Index in 2010, GI Insight re-commissioned the research to determine whether companies in various sectors are using their data effectively to establish a level of intimacy with their customers through personalised and targeted communications – and how this has changed four years on.

Over 1,000 UK consumers were asked to rate the organisations they regularly buy from on a sector-by-sector basis according to how well they feel they know them, ranging from a familiarity worthy of 'a close friend' to the lack of intimacy shown by 'a total stranger'.

They based this rating on whether the communications they received – by mail, email, telephone or mobile – indicate that their data is being put to good use in helping to build and maintain ongoing relationships with customers.

Those results, which were balanced by gender, region, age and social class, were used to tabulate an average score for all sectors. GI Insight used this to create the Customer Intimacy Index, with a score of 100 representing the total overall average. The Index revealed which sectors have cleaned up their act, which have maintained their position and which have slid down the rankings since the last Index in 2010.

The consumer landscape has changed quite considerably since 2010 – a fact that is reflected by changes to the relative performance of certain sectors. Smartphone providers, for example – a new entrant to the Index – slotted into a respectable fifth place, while mobile phone companies overtook Internet Service Providers to move into third (see Figure A).

Figure A

SECTOR	2013	2010	Movement
Supermarket	132	126	↑
Bank	125	116	↑
Mobile service provider	116	109	↑
Entertainment provider	114	116	↓
Smartphone makers	111	n/a	NEW
ISP	109	117	↓
Holiday, hotel & travel	105	108	↓
General insurer	103	98	↑
Utilities provider	100	103	↓
Clothing company	100	103	↓
Food brands	99	88	↑
Charities	86	97	↓
Home furnishings/DIY	89	n/a	NEW
Computer/tablet manufacturer	78	78	↔
Car manufacturer	76	80	↓
Alcoholic drinks	62	72	↓

'Knows me like close friend'

Overall, this year's results confirmed the dominant finding of the previous Index: that consumers feel the closest connection to companies in sectors which involve frequent transactions, provide regular customer contact and have strong loyalty offerings. Supermarkets held onto top spot, with banks moving up from third to second (see Figure A). The high scores awarded to these sectors – which left the others trailing by quite some distance – indicate that consumers recognise these companies as the ones that are using their data effectively. As a result, the respondents expressed the feeling that these brands seem to 'know me like a close friend'.

Consumers feel the closest connection to companies in sectors which involve frequent transactions, provide regular customer contact and have strong loyalty offerings.

Other sectors that fared well in the Index were mobile phone companies, entertainment providers and smartphone manufacturers. The results reveal that these firms are taking a sophisticated approach to the interactions they have with their customers through comprehensive loyalty schemes, data-driven CRM programmes and effective database analytics.

'Treats me like a total stranger'

At the other end of the spectrum, the industry sectors that were seen to treat their customers more 'like a total stranger' included ones characterised by high value, low frequency transactions such as car manufacturers and computer/tablet brands. Also faring badly were home furnishings and DIY companies, which, despite sometimes making large one-off purchases, also involve more regular, lower cost transactions – rendering their showing particularly disappointing, especially given that the sector features some well-known loyalty schemes.

Languishing at the very bottom of the pile were alcoholic drinks brands, whose score plummeted to 62 – 38 points below the average. But the biggest drop in relation to 2010 was in fact seen in the charities sector, which fell by a full 11 points in the Index to 86 from a near average score of 97 just three years earlier (see Figure A). This result is an indication of the devastating impact the ongoing economic downturn has had on the ability of charities to invest in database marketing and sustain donor engagement.

While these sectors vary widely, with different requirements and specific consumer segments, their disappointing performance in the Index suggests that they need to enhance their efforts to connect with their customers through more effective analysis of the data they hold. Better customer insight will enable them to deliver a more tailored service, improving their ability to retain vital customers in the face of ongoing economic difficulties.

'Acts like a friendly acquaintance'

The sectors hovering around the average Index score, which respondents felt were more likely to demonstrate the knowledge of a friendly acquaintance, were holiday, hotel and travel firms, general insurers, clothes companies and food brands (see Figure A). The mid-table position occupied by these companies indicates that while they show some degree of sophistication in personalising their customer communications, they could make better use of the data they have to establish genuine connections with consumers.

Better customer insight will enable companies to deliver a more tailored service, improving their ability to retain vital customers in the face of ongoing economic difficulties.

Gender differences

In general, the research revealed that women feel less warmly embraced by the companies they have dealings with than men. Male respondents gave all sectors an average Customer Intimacy Index score of 106, while women rewarded them with a rating of just 94 (see Figure C) – scores which were fairly consistent with the 2010 results. Statistics showing that women drive ecommerce may help to explain this finding; they spend more time browsing and buying online[1] and so expect brand communications – through any channel – to take this history into account. This claim is substantiated by research showing that more women than men follow brands on social media in order to receive offers and discounts, and in fact that more women do this in the UK than anywhere else in Europe.[2]

Figure B

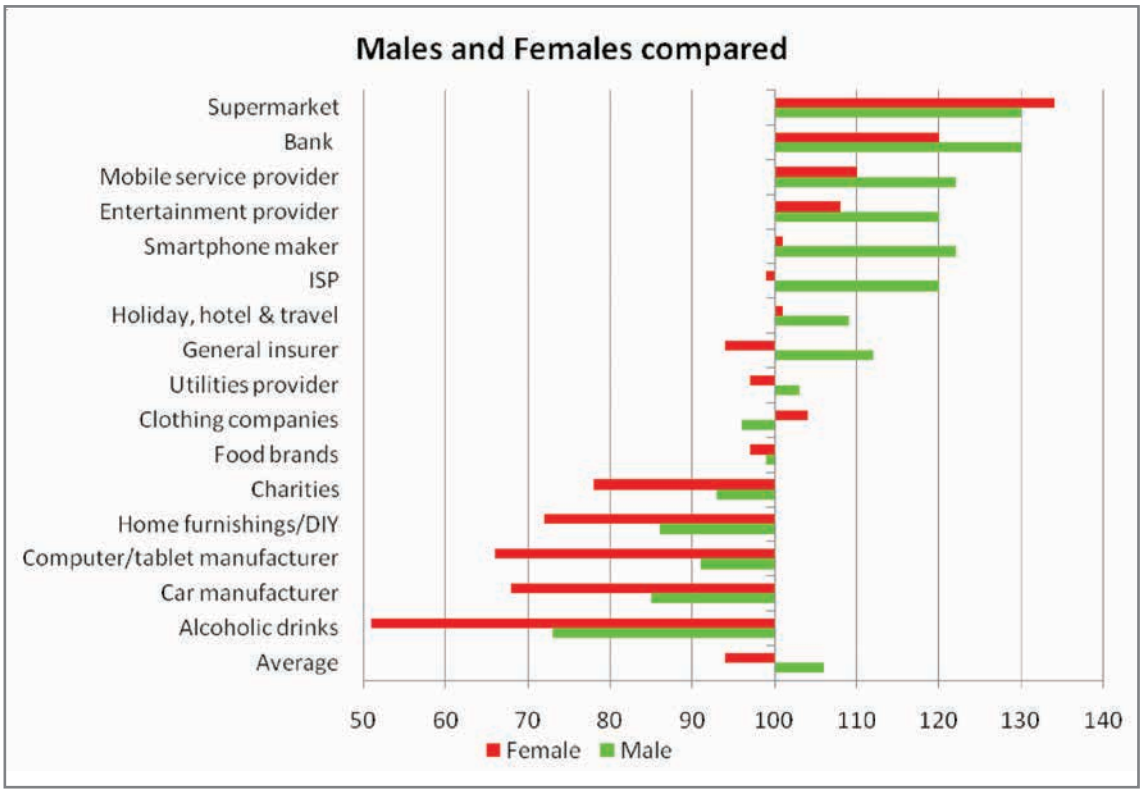
SECTOR	MALE	FEMALE	AVERAGE
Supermarket	130	134	132
Bank	130	120	125
Mobile service provider	122	110	116
Entertainment provider	120	108	114
Smartphone maker	122	101	111
ISP	120	99	109
Holiday, hotel & travel	109	101	105
General insurer	112	94	103
Utilities provider	103	97	100
Clothing companies	96	104	100
Food brands	99	97	98
Charities	93	78	86
Home furnishings/DIY	86	72	79
Computer/tablet manufacturer	91	66	78
Car manufacturer	85	68	76
Alcoholic drinks	73	51	62
Average	**106**	**94**	**100**

[1] Forbes, Why women are the rocket fuel of eCommerce, Mar 2011
[2] Porter Novelli, Men are from Foursquare, Women are from Facebook, Feb 2012

In conjunction with GI Insight's last research into consumer attitudes to commercial messaging on social media, which showed that the number of women who had 'liked' brand pages exceeded the number of men,[3] this finding indicates that women are more attuned – and more exposed – to communications from companies across a range of media. As a result, they have a higher expectation that these communications will be more tailored to their preferences. Accordingly, men rated companies better at personalising their customer communications in every category except supermarkets and clothes companies – sectors with which women may traditionally have more regular contact (see Figure C).

This finding indicates that women are more attuned – and more exposed – to communications from companies across a range of media. As a result, they have higher expectations.

Figure C



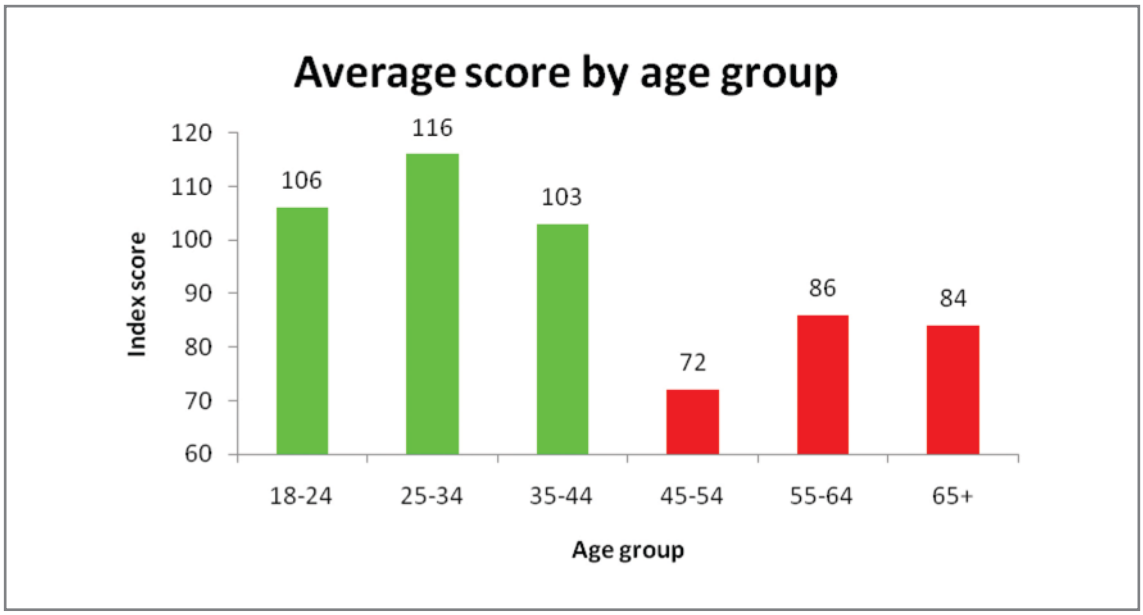
[3] GI Insight, Social Control: The challenge brands and companies face in engaging consumers through social media, Oct 2012

Age profiles

Companies' personalisation efforts were received much more appreciatively by younger consumers, who evidently feel more like they are treated as 'close friends' by the companies they deal with than consumers in older age groups do (see Figure D). This means that some companies – particularly those operating in new, technology-driven sectors, and those that tend to be very youth-oriented such as fashion – risk alienating older consumers, who are more numerous and have greater disposable income, by focusing on them less.

> The fact that businesses seem to be doing a better job of connecting with younger consumers may be due to the fact that, although companies have had less time to gather data on people in these age groups, their digital footprint is much deeper.

Figure D



The fact that businesses seem to be doing a better job of connecting with younger consumers may be due to the fact that, although companies have had less time to gather data on people in these age groups, their digital footprint is much deeper – a major factor in today's marketplace. Their familiarity with and immersion in digital media means the volume of fresh data that certain types of businesses can gather on them is huge. For instance, the two youngest demographic groups rate suppliers in the mobile and smartphone sectors – whose offers and communications are largely fed by transactional behaviour as well as lifestyle data freely given in exchange for relevant information on products and deals – much more highly than the older age categories (see Figure E).

Figure E

SECTOR	18-24	25-34	35-44	45-54	55-64	65+
Supermarket	133	143	137	105	129	117
Bank	119	134	125	115	116	122
Mobile service provider	140	127	124	87	103	92
Entertainment provider	126	127	121	88	99	92
Smartphone maker	120	128	109	62	86	99
ISP	113	116	120	81	95	107
Holiday, hotel & travel	111	120	109	79	93	83
General insurer	91	113	100	87	106	101
Utilities provider	85	114	96	79	90	107
Clothes companies	108	121	107	61	92	68
Food brands	103	121	104	68	79	64
Charities	98	97	82	61	83	82
Home Furnishings/DIY	97	99	83	48	60	49
Computer/tablet manufacturer	98	102	81	46	59	41
Car manufacturers	80	94	80	48	51	64
Alcoholic drinks	81	93	68	19	24	22
Average	**106**	**116**	**103**	**72**	**86**	**84**

The under-35s are largely digital natives who grew up sharing personal information online and using a variety of digital devices. It may also be the case that marketers are being influenced by the buzz around smartphones and tablets and are relying much more on marketing through these youth-friendly gadgets. Thus companies of all types may be having great success in engaging the young due to their choice of a trendy device but alienating many older consumers who are not comfortable interacting with businesses over the small mobile-device screen.

Younger consumers are also likely to have less variety in circumstances and needs than older, more complex demographic groups – making it more straightforward for companies to target them accurately with relevant offers and communications. Low scores amongst older consumers, especially the 45-54s (see Figure E), may indicate that their circumstances are more variable and complicated to predict than those of younger consumers.

Consumers who are 35 or older – particularly those with families – have constantly evolving circumstances that are more difficult for businesses to track unless they have an extremely sophisticated loyalty programme.

The findings may also demonstrate that older consumers with longstanding customer relationships have higher expectations than younger people when it comes to interactions with firms they have been dealing with for years – sometimes decades – and that firms really need to make sure that they use all the data they have to hand to reflect the enduring ties they have with these customers.

Regardless of the reasons, companies in every sector across the board are doing a much better job of engaging younger consumers – even though the more numerous part of the population and greater spending power lies with the older demographics, which have more disposable income. Indeed, the findings indicate that companies of all types appear to be focusing attention on the smaller, more tech-savvy younger customer segments with less money and not making enough effort to engage fully with the wider audience – particularly the older parts of it with more money.

Sector by sector breakdown

Supermarkets

Supermarkets are once again the stars of the Index. With a resounding 132, the result shows that consumers rate them as an impressive 32% better than average when it comes to using what they know about them to deliver targeted, relevant communications. This is related not only to the sheer quantity of information they have on their customers, but also the successful mechanisms they have in place to leverage that data. Climbing six points since the previous Index, this result suggests that supermarkets are continuing to improve in their efforts to establish an intimate relationship with their customers.

Supermarkets have been at the vanguard of developments in loyalty schemes, with Tesco launching its famous Clubcard way back in 1995. Other major supermarkets have followed suit in establishing some of the most popular loyalty schemes on the market today. Indeed, recent research carried out by Ipsos Mori for The Logic Group revealed that more UK consumers belong to a supermarket loyalty programme than to any other type of scheme. Add this to the finding that 62% said they feel loyal to their supermarket and it is clear that the information collected through loyalty schemes is being used to good effect.[4]

However, if supermarkets want to stay ahead of the pack they need to continue finding new ways to innovate. Tesco's shaky performance and Morrisons' woes in 2012 demonstrate that, despite leading the field, supermarkets cannot afford to rest on their laurels. While the Index shows that supermarkets are clearly tailoring their communications well, Ipsos Mori's research actually revealed that a higher proportion of consumers felt loyal to their bank. This means that supermarkets need to ensure that they are delivering the right kind of rewards to their customers. With Tesco looking to match the voucher-at-till scheme rolled out by Sainsbury's – aimed at offering customers more relevant and useful promotions and matching prices with competitors[5] – it seems that supermarkets are continuing to seek out innovative ways to develop their loyalty offerings.

Climbing six points since the previous Index, this result suggests that supermarkets are continuing to improve in their efforts to establish an intimate relationship with their customers.

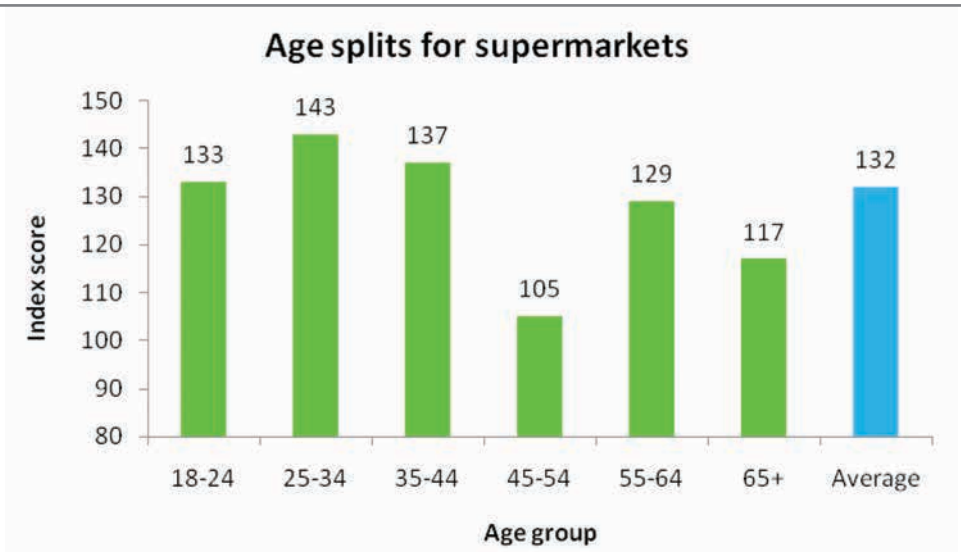
[4] The Logic Group/Ipsos Mori, The Loyalty Landscape 2012, Oct 2012
[5] Retail Week, Tesco to launch voucher-at-till price offensive next week, Mar 2013

As in the 2010 Index, women gave supermarkets a higher score than their male counterparts – at 134 as opposed to 130 (see Figure B). The gap has narrowed significantly, however: in the 2010 Index, women rated supermarkets as 33% above average, whereas men considered them only 19% higher. One possible explanation for this could be that, as inflation continues to rise and real wages stagnate, everyone – male or female – has become more attuned to opportunities to make savings, and households are shouldering the burden more evenly.

Among the various age groups, the 25-34s and 35-44s – those most likely to have young and large families – ranked their supermarkets most highly (see Figure F).

These two groups grade their supermarket 43 points and 37 points above the norm respectively. The customer intimacy rating of 143 that the 25-34s give the sector is the highest score for any specific age group across all industry categories. This impressive showing among consumers aged 25-44 reflects the fact that the large volumes of transactions made by the high proportion of young families covered within these demographic categories provide a deep well of data and fodder for frequent – and in most cases welcome – offers on necessary products.

Figure F



Banks

Banks have climbed nine points in the Index, leapfrogging ISPs into second place (see Figure A). While Ipsos Mori's research revealed supermarkets to have the most widely-subscribed loyalty programmes, it actually found that more people feel loyal to their banks – perhaps because choosing where to bank is more of a commitment than choosing where to buy groceries. With an overall score of 125, the Index shows that banks are doing an increasingly good job of personalising their customer communications. This finding suggests that, following the damage done to the industry's reputation during the recession, retail banks are highly conscious of the need to gain the trust of their customers by demonstrating that they are using their data intelligently and responsibly.

If banks are to continue to gain customer approval by demonstrating how much they are valued through well-tailored communications, they would be wise to encourage a higher proportion of consumers to subscribe to their loyalty schemes.

The Ernst & Young Global Consumer Banking Survey 2012,[6] which consulted 28,560 consumers across 35 countries, highlighted the growing importance of a good reputation within the sector. It revealed that 71% of consumers seek advice on banking products from friends, family or colleagues, and 65% use financial comparison sites to find the best deals. The use of social media as a source of banking information (by 44% of customers) is also affecting how people interact with banks, and their good showing amongst young consumers in the Index – with the highest score of 134 given by those aged between 25 and 34 (see Figure E) – suggests that they are tapping into new ways of communicating to gain the approval of their customers.

Banks also scored ten points higher amongst men than women – with an Index score of 130 and 120 respectively, a wider gap than in 2010 – suggesting that their reputation has taken more of a hit amongst female consumers (see Figure B). In order to persuade women that they 'know them like a close friend', they need to work even harder to send them relevant, personalised communications.

In the Ernst & Young survey, consumers across the world also identified bank loyalty programmes as having a crucial role to play in gaining and keeping their custom. However, only 16% of banking customers are part of a loyalty scheme, according to Ipsos Mori's research. Banks have been relatively slow in jumping on the loyalty bandwagon, and when

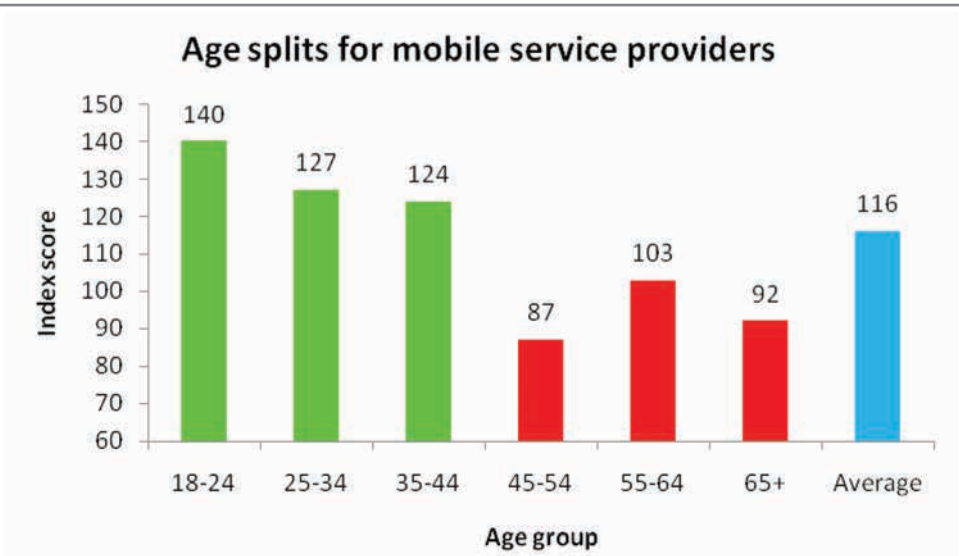
[6] Ernst & Young, Global Consumer Banking Survey 2012

they have it has not always been a success. Barclays, for example, was forced to scrap its original Freedom loyalty programme after just two years and then replace it with two new separate schemes. As with any loyalty scheme, bank programmes must be underpinned by sophisticated data insight in order to engage demanding customers and foster loyalty.
If banks are to continue to gain consumer approval by demonstrating how much their customers are valued through well-tailored communications, they would be wise to encourage a higher proportion of depositors to subscribe to their loyalty schemes.

Mobile phone service providers

Leaping two places and adding seven points to their Index score compared to 2010 were mobile phone service providers, which consumers rated 16% above average (see Figure A). This strong showing by mobile firms demonstrates that they know what consumers are using their phones for – including how much data and airtime they use, and when – allowing them to tailor packages to the individual and send promotions they are likely to be interested in. This strong result testifies to the increasingly indispensable role people's mobile phones are playing in their daily lives, even since 2010 – especially when it comes to younger consumers.

Figure G



On the whole, consumers aged 45 or above seem to feel quite estranged from their mobile providers.

Indeed, consumers under 45 years old clearly feel better understood by their mobile service providers than those above that age. The difference below and above this age line was stark (see Figure G). As expected, mobile providers achieve the greatest customer intimacy with the digitally-savvy, mobile-dependent 18-24 age group, which rated them at 140 – the second-highest score for any specific age category across all sectors – followed by the 25-34s at 127 and the 35-44s at 129 (see Figure G). As noted above, these are the consumers that are most comfortable with digital technology, and most accustomed to sharing lifestyle information, whereas older subscribers are less plugged in to information exchange via this medium and are lower volume users. Consequently, mobile service brands focus less marketing attention on them. On the whole, consumers aged 45 or above seem to feel quite estranged from their mobile providers, giving them an overall score of just 94 when the results of all consumers over this age are averaged.

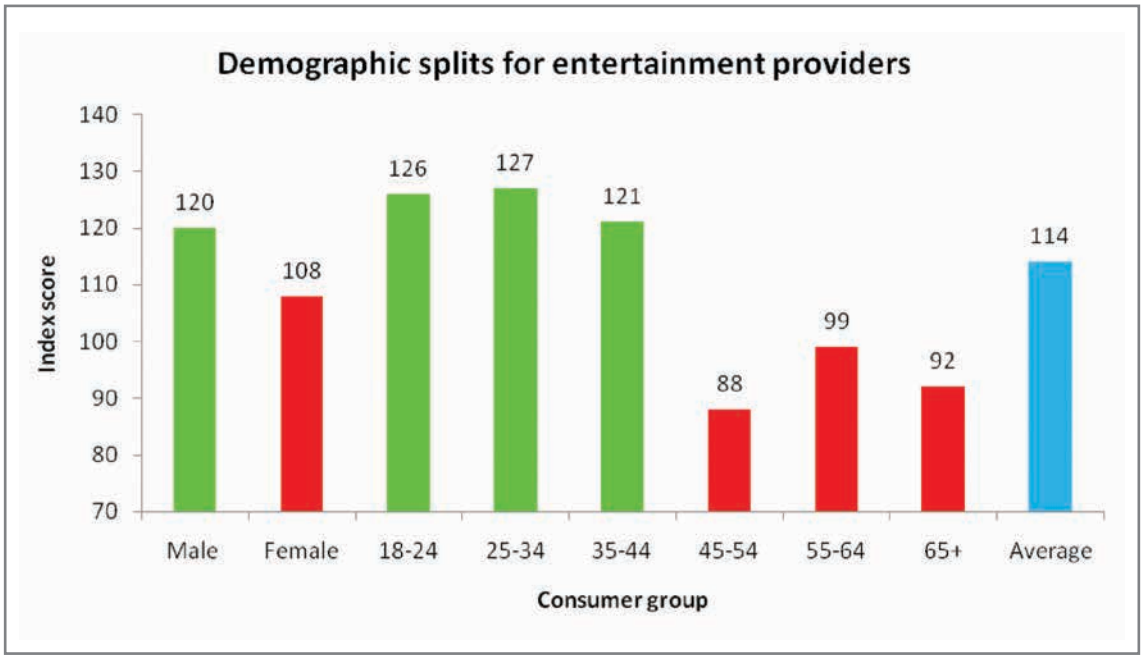
Promotional schemes such as Orange Wednesdays (where customers can text in to claim two-for-one cinema tickets or restaurant deals) and O2's Priority Moments (where subscribers receive a full range of exclusive offers via their smartphone) have helped mobile service providers build wide-ranging and incentivised relationships with their customers – particularly the socially active and connected younger demographics. Meanwhile, gathering data on customers in the process of providing these sorts of loyalty perks facilitates more effective up-selling and cross-selling opportunities.

However, given the quantity of data to which these companies have access, they have the potential to build even more intimate relationships with their customers by continuing to find new and welcome ways to connect with them – specifically consumers 45 and over, who appear to have relatively frosty relationships with their mobile service providers at the moment.

Entertainment providers

Entertainment providers – including satellite or cable TV services, video rental providers, cinemas and music websites – held onto their fourth spot in the Index, seeing their score drop very slightly (see Figure A). Consumers still rated the levels of personalisation achieved in their communications as 14% higher than average. This is another category in which the digitally conversant younger consumers – who are higher-volume users of many entertainment services – rated their providers as knowing them 'like a close friend' while older consumers saw these companies on more of an 'acquaintance' level (see Figure H). Once again, there appears to be a sharp dividing line at 45, with consumers below that age rating the customer intimacy achieved by these companies as well over 20% above the average while older consumers were less impressed.

Figure H



Companies are clearly using the data they have collected through loyalty and promotional schemes to appeal to their customers' preferences, but could work harder at engaging female consumers. In terms of gender, entertainment providers are doing a better job of treating male customers like a 'close friend', according to the Index. Men rated these companies as 20% better than average, compared to women who scored them just 8% higher (see Figure H).

Entertainment providers are doing a better job of treating male customers like a 'close friend', according to the Index.

There is some overlap here with the smartphone and mobile categories, with younger consumers employing capabilities and services available through these brands to download videos and music on the go and keep up-to-date with what is happening in the world of entertainment.

For home-based digital entertainment activities, research by Ofcom into customer satisfaction with landline, broadband, mobile and pay TV services providers found that pay TV scored highest, with 69% of customers happy with service delivery.[7]

Companies such as Sky, Virgin and now TalkTalk – which last year started promoting its YouView catch-up TV service – are making efforts to provide a constant stream of offers for new products and customised services as they understand more about their customers' preferences and behaviour – refining their knowledge of these consumers and tailoring communications accordingly.

In a marketplace in which individuals have more options than ever in terms of entertainment – with messages and content coming to them out of the digital ether through a broad range of touch points – companies have to make sure that they build strong bridges with their customers, which requires both gathering and using consumer data to deliver properly targeted brand communications.

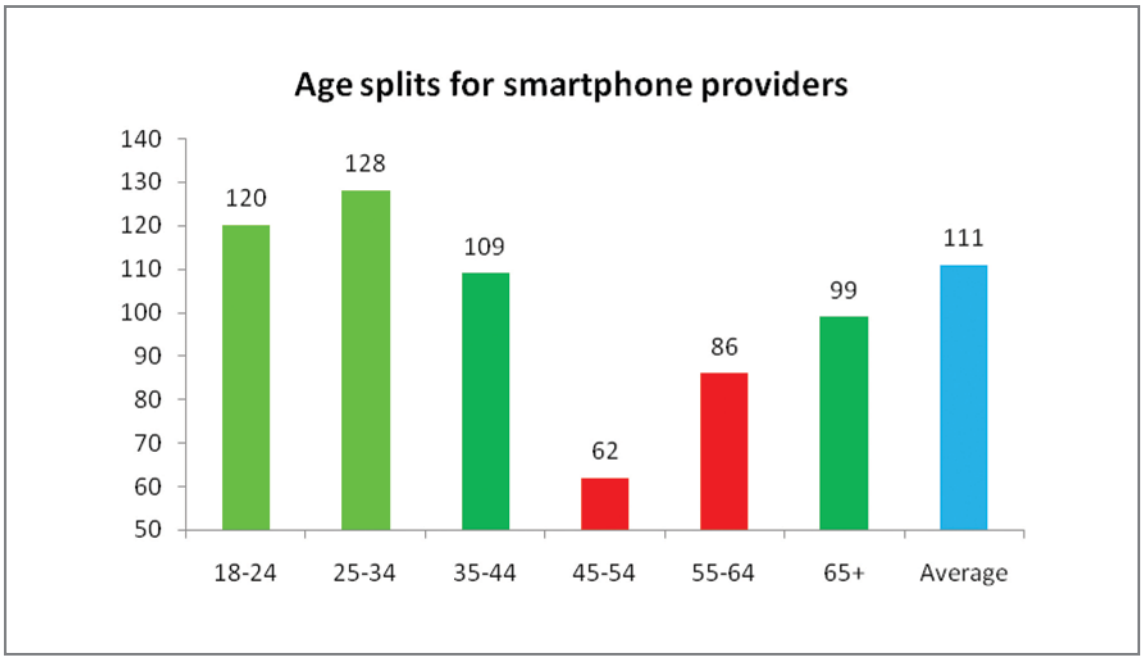
[7] Ofcom, Customer Service Satisfaction Wave 4, Dec 2012

Smartphone manufacturers

A new addition to the Index – smartphone companies – followed not far behind mobile phone providers, coming in at a respectable fifth place with a score of 111 (see Figure A). Smartphones have transformed people's relationships with their mobiles, with consumers using them to browse products, listen to music, play videos and even make transactions, along with a whole host of more unusual activities.

Again, this is particularly true for younger consumers, with the under-35s feeling well-understood and consequently rating the companies that make their high-tech handsets at 127, whereas those who are 45-64 put them well below average (see Figure I). As noted, the fact that young people tend to be early adopters of new digital technology and extremely conversant in its uses enables smartphone companies to build strong relationships with them relatively quickly – encouraging these firms to focus more marketing on these dynamic customers while ignoring less tech-savvy older consumers.

Figure I



There is also a significant disparity between the levels of personalisation these companies achieve in the eyes of male consumers – who award them 122 index points – and female consumers, who rate them only one point above average (see Figure B). This might be a statistical confirmation of the sneaking suspicion that men are often more attached to gadgets, awaiting new releases from tech giants such as Apple and Samsung with greater excitement. Indeed, a recent poll discussed by Nokia revealed that 80% of men said they 'loved' their smartphones[8] – a level of enthusiasm perhaps manifested in the amount of personal data they are prepared to hand over to their providers.

The relatively good overall result reflects anecdotal evidence that smartphone users tend to stick with products from the same brand. With the passion that its products have inspired, Apple is at the vanguard of this, although there are hints that it may now be falling behind. According to the 2013 Brand Keys Customer Loyalty Engagement Index, Apple was overtaken earlier this year by Samsung when it comes to customer engagement and loyalty.[9] Other companies, such as new player HTC, have established strong beachheads in the marketplace, while well-known brands such as Nokia, Sony Ericsson, Motorola and BlackBerry are playing catch-up.

There is a significant disparity between the levels of personalisation smartphone companies achieve in the eyes of male consumers – who award them 122 index points – and female consumers, who rate them only one point above average.

The Brand Keys research suggests changes taking place within the smartphone sector are being driven by the increased expectations consumers now have when it comes to personalisation. In such an innovative industry, consumers expect the highest standards of service, and sophisticated use of data analysis will help companies to understand what their customers want and ensure that they are promoting the right features and capabilities in order to create a stronger bond with the people with whom they have developed a degree of brand loyalty.

[8] Conversations by Nokia, Why do we love our smartphones so much?, Jan 2013
[9] Mobile Marketing Magazine, Apple loses top spot in brand loyalty for smartphones, tablets, Feb 2013

Internet Service Providers

Internet Service Providers (ISPs) have dropped down the Index compared to 2010, falling from second place to sixth and seeing their score slip from 117 to 109 (see Figure A). They have been overtaken by mobile phone providers and smartphone brands, as more and more people use these devices to access the internet. Their slide down the rankings may also be due to the fact that, where ISPs were once a very distinct niche with strong brand identities and customer relationships, the lines between ISPs and certain other sectors have become blurred. In many cases, an ISP's brand has been subsumed by its identity in other categories such as mobile or pay TV, to the extent that providers such as Virgin and even TalkTalk are not seen at their core as ISPs by many of their customers.

Despite the fact that all the major broadband providers have loyalty incentives in place, the Index indicates that ISPs are not using the data they hold to demonstrate how well they know their customers through relevant and targeted communications. Ofcom research into customer satisfaction with landline, broadband, mobile and Pay TV services providers found that despite year-on-year improvement, satisfaction with customer service remains lowest in the broadband sector (62%).[10]

Ofcom also found that the frequency with which customers are contacting their broadband provider has dropped markedly year-on-year, making it even more important for these companies to ensure that they make the best use of the customer data they have to establish relationships with them.

The Index indicates that ISPs are not using the data they hold to demonstrate how well they know their customers through relevant and targeted communications.

ISPs fared significantly better with male consumers than female, who actually rated them slightly below average – at 99 points. Men, on the other hand, clearly feel that their ISPs are doing much better than average at treating them like a close friend, giving them a score of 120 (see Figure B). As with other digital businesses, ISPs fared better with customers under 45 years old, with respondents to the survey in the 35-44 age group giving the sector its highest customer intimacy rating: 120. The 45-54 age group, however, was considerably less impressed, scoring the ISP sector just 81 (see Figure E).

[10] Ofcom, Customer Service Satisfaction Wave 4, Dec 2012

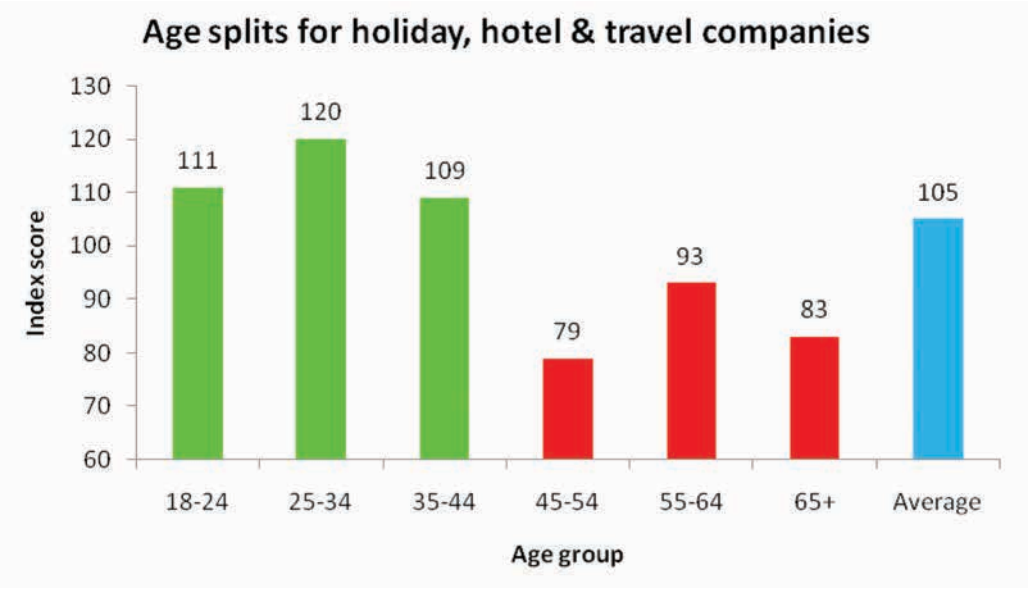
Holiday, hotel and travel companies

Holiday, hotel and travel companies have extensive opportunities to gather unique data on their customers, although transactions may be high-value and infrequent. This tension is reflected in their place in the Index, coming in slightly above average with 105 points (see Figure J). The score given to firms operating in this sector has dropped very slightly compared to the previous Index, but this masks a significant variation in the respective scores given by men and women since 2010. The 2013 Index showed approval levels amongst female consumers to have climbed significantly, jumping from a below average 95 to just above average at 101. Men, however, clearly feel that standards of personalisation in the communications sent by these companies have slipped, with their score dropping ten points from 119 to 109 (see Figure B).

Nevertheless, this is an above average score, indicating that consumers feel that the information they provide is being used to tailor communications to some extent. Younger consumers in particular seem to feel that companies in the travel and hospitality industry understand them well and reflect that in their communications. The 25-34 age group in particular rated their suppliers in this area highly, giving them an Index score of 120. Conversely, as in 2010, the 45-54 demographic seemed to feel that the companies in the holiday, hotel and travel sector don't know them at all, giving them a woeful score of 79 (see Figure J).

Given the fact that most airlines still offer frequent flyer programmes and many hotel companies now have loyalty schemes, the results suggest that they could do more with the data they have on their customers.

Figure J



Given the fact that most airlines still offer frequent flyer programmes and many hotel companies now have loyalty schemes, the results suggest that they could do more with the data they have on their customers to build a lasting relationship with them. A 2013 survey by Deloitte revealed that the majority of consumers are members of at least one hotel loyalty plan and indicated that these schemes are effective where they exist.[11] The research showed that 74% of consumers check their loyalty programmes for promotions when booking travel and that the majority are inclined to return to the same hotel – demonstrating the importance of strengthening customer relationships through targeted communications.

[11] Deloitte, Customer Loyalty in the Hotel Industry, Jan 2013

General insurers

The efforts made by general insurers to tailor their communications to consumers have improved slightly since the last Index, with the score creeping up over the average from 98 to 103 (see Figure A). Nonetheless, this score still seems inexcusably low given that these companies should know a great deal about clients' lifestyles, their professional lives, and many of their activities – not to mention their geo-demographic circumstances. All this information could be used to generate relevant offers.

Nonetheless, the fact that insurance companies have relatively infrequent transactions (compared to retail banks, for example) limits their interactions with their customers as well as the opportunities they have to gather this type of data. What this means is that general insurers need to try harder to find ways of interacting with customers to strengthen relationships and loyalty. The annual renewal notice does not seem to do the job.

This score still seems inexcusably low given that these companies should know a great deal about clients' lifestyles, their professional lives, and many of their activities.

Men feel that their insurers are engaging them much more effectively than women, giving them an above average score of 112. Women, however, clearly expect their insurers to do more to prove that they are valued customers, rating them six points below average (see Figure B). Insurers seem to do a better job of ingratiating themselves with consumers aged 25-34, who are the most happy that their providers are treating them 'like a good friend' – perhaps because this is the group most likely to have young families and constantly developing insurance needs, providing the companies with more opportunities for interaction and targeted communications (see Figure E).

Utilities

Utilities, which hovered just above the average mark in the previous Index, landed squarely on it this time (see Figure A). They fared worse with women – who gave them a below average score of 97 – whereas men felt their personalisation efforts deserved the slightly higher mark of 103 (see Figure B). These companies have a considerable amount of geo-demographic and other data that might indicate certain customer traits and behaviour, but this result indicates that they are not using it all that effectively. Despite the fact that, in recent years, utilities companies have ramped up their efforts to get consumers to switch providers and take up service offerings – such as home cover and energy efficiency upgrades – they evidently have done too little to maintain bonds with existing customers and build loyalty.

While a utility provider might not seem the best candidate for a stand-alone loyalty scheme, some have partnered with broader programmes which are more likely to engage consumers.

High profile cases of rising profits for energy giants amidst rising prices for squeezed households have damaged trust in these companies. As a result it is more crucial than ever for them to rebuild relationships and prove that they are using customer data responsibly to deliver relevant and useful communications, offer competitive and appropriate tariffs, and regularly apprise customers of their options.

While a utility provider might not seem the best candidate for a stand-alone loyalty scheme, some have partnered with broader programmes which are more likely to engage consumers. For instance, E.ON now has a partnership with Tesco Clubcard – members can either get money off their energy bill or claim Clubcard points – while British Gas has a tie-up with Nectar. These types of partnerships generally allow utilities providers access to a broader range of customer data and furnish them with greater opportunities for well-targeted communications.

Clothing companies

Clothing brands tied with utilities in the Index, also registering an average score that was dead on 100 (see Figure K) – a dreadful placing for a sector in which companies have a far greater opportunity both to gather data on consumers and to send well-targeted messages to customers. Either firms in this sector don't have the mechanisms to capture and employ customer data in their marketing, or they just don't know what to do with the information that they have.

While many clothing brands have embraced the advent of ecommerce, making full use of digital marketing channels, this disappointing performance indicates that a significant proportion of these companies are not using the information they gather through this channel properly – and that those that also maintain a mail order business or high street presence have not found a way to pull together the customer information from different sides of the business into a single customer view.

While many clothing brands have embraced the advent of ecommerce, making full use of digital marketing channels, this disappointing performance indicates that a significant proportion of these companies are not using the information they gather through this channel properly.

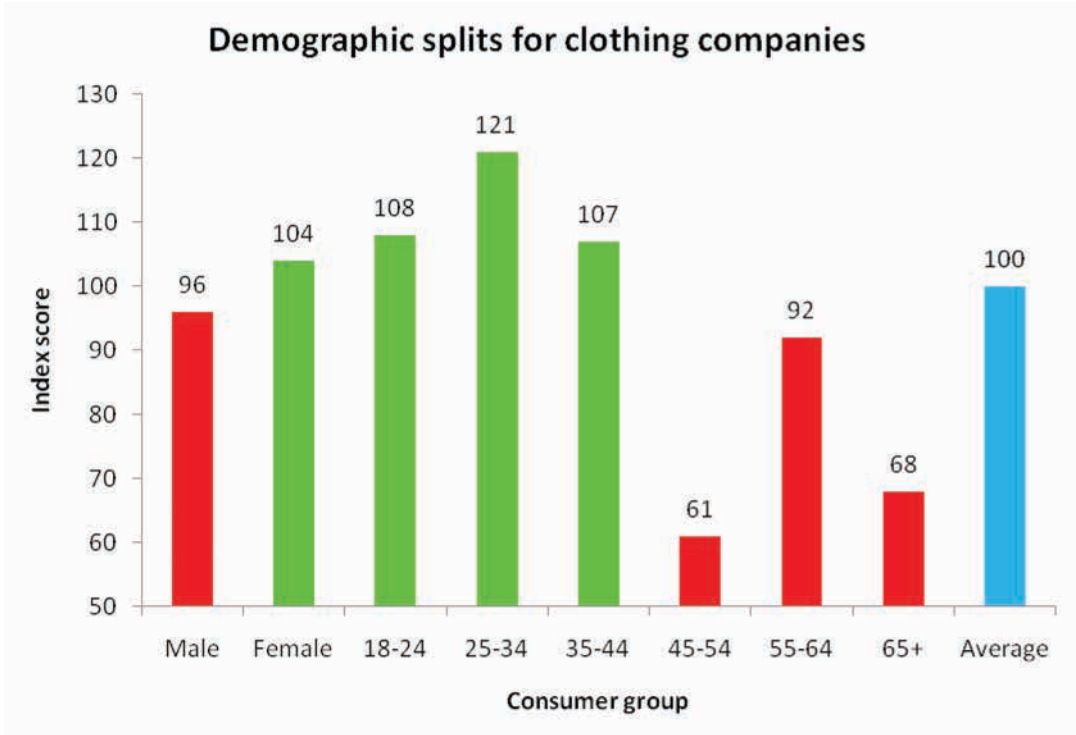
These firms need to make better use of their customer data by gathering and analysing the transactional information available through a sophisticated database marketing programme. With their constant array of new products, the scope for a comprehensive loyalty programmes is huge and there is little excuse for many firms in this sector to come across as relative strangers to their customers.

While the Index delivers the unsurprising finding that clothing companies are better at engaging women than men, it is the margin of difference that is worth noting. Men rate these companies as just below average when it comes to using data to inform their marketing communications, at 96, while women only consider them to be slightly better than average, giving them an unremarkable score of 104 (see Figure K).

Given the amount of time many women spend shopping for clothes – both on the high street and online – this score might be expected to be higher. This comes back to the general observation drawn from the Index that women appear to have higher expectations. They have a greater exposure to these companies, often parting with considerable amounts of personal information in order to receive relevant communications, and so expect nothing less than uniquely personalised marketing.

Expectations have also been raised further due to the emergence of targeted online advertising, which means that female consumers expect their online browsing histories to be reflected in the products that are subsequently promoted to them. They are therefore likely to be disappointed if brands appear not to take their preferences into account by approaching them with unwanted or irrelevant offers.

Figure K



Where clothing companies have done a good job of demonstrating knowledge of their customers is with younger consumers, particularly those in the fashion-conscious 25-34 age group, which viewed them as 21% above the average. Overall, companies in the fashion space have done a reasonable job with the under 45s and a terrible job with older consumers – especially the 45-54 age group, which rated clothing companies as 39% below the average (see Figure K). This finding may indicate that, despite the growth of a few select brands catering for the older consumer, too many clothing companies remain overly focused on the young and thin in all their marketing and have simply alienated mature buyers who do not feel included.

Clearly, firms in this sector can steal a march on competitors by finding a way to harness their data and use it to target their customers of all ages more effectively with timely and relevant offers and communications. This seems particularly important for brands aimed at older consumers, but there are advantages to be gained in virtually every market segment.

Food brands

Food brands performed much better this time than in the previous Index, jumping ten points from 2010 (see Figure A). This still gave them a below average score of 98, suggesting that more work is needed to establish genuinely personal relationships with customers, rather than just reaching them on the level of mass marketing.

Perhaps because blanket advertising is the principal approach through which these brands have established contact with customers, there is only a negligible difference between the scores awarded by men and women (see Figure B).

Much of this promotional activity is also aimed at younger consumers – a fact reflected in the Index scores – and several food brands have started to explore the potential of social and digital media to connect with their customers. Pringles, for example, is using a digital campaign involving an online game in which a Pringles 'fan' character introduces new flavours in head-to-head challenges, while also revealing subsequent flavours on its Facebook page. Some brands are also attempting to use new marketing methods to strike up interactive relationships with consumers: Domino's Pizza, for example, is sponsoring an online sitcom discussing the week's football news.

The Index suggests, however, that food brands may be making a mistake by focusing so heavily on a younger audience (see Figure E). The 45-54 age group – which represents a lucrative market of families with children – only gave these companies a score of 68, rating them as considerably below average when it comes to engaging them effectively.

They fare slightly better with consumers aged between 55 and 64, who awarded them a score of 79, but see their approval ratings plummet amongst those aged 65 and over, who rated them a full 36% worse than average at personalising their communications with a score of 64.

The 25-34 age group, on the other hand, considers food brands to be significantly better than average with a score of 121, suggesting that their promotional campaigns are having the desired effect in establishing a connection with these consumers. The 18-24s and 35-44s also view their efforts positively, giving companies in this sector a score of 103 and 104 respectively. The stark contrast between younger and older age groups indicates that food brands may need to re-think their marketing strategy to avoid consumers aged 45 and over feeling neglected and undervalued.

The Index highlights the need for food brands to do a much better job of establishing a personal rapport with older customers.

As these results show, digital marketing campaigns are an effective way of engaging a specific demographic – the precise reason why Lipton Tea has launched an Instagram campaign aiming to broaden its appeal to younger consumers – but the Index highlights the need for food brands to do a much better job of establishing a personal rapport with older customers. This is particularly crucial in the wake of the horsemeat scandal, which has damaged the reputations of certain brands in households up and down the country.

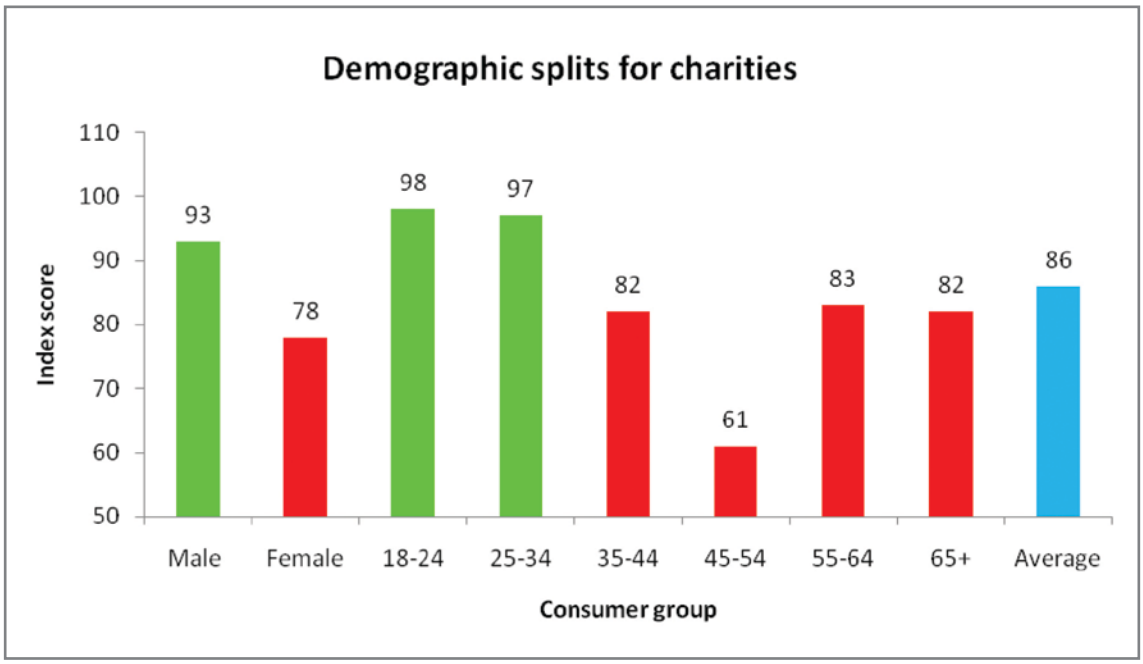
Charities

Charities have been severely affected by the economic downturn, seeing their budgets for marketing activity slashed as a result of lower levels of donation. They are caught in something of a catch-22 situation, since it is now more important than ever to build and maintain personal relationships in order to keep people donating despite the tightening of household purse-strings.

While the previous Index showed charities to have the closest relationships with older consumers, this time the trend has been reversed, with charities receiving their highest score from the 18-24 age group (98), closely followed by the 97 points they are awarded by 25-34s. Consumers aged between 45 and 54, on the other hand, rate them much less highly with a score of 61 (see Figure L).

A possible explanation for this shift is that the economic situation has significantly impaired their capacity for direct mail activity – the traditional means by which charities would communicate with older consumers – prompting a greater emphasis on email marketing and digital communications which might be more effective at engaging a younger audience of potential donors.

Figure L



The parlous state of the sector is highlighted by research commissioned by the Charities Aid Foundation, which surveyed 252 senior staff in a wide range of charities. It found that one in six think that they may face closure in 2013 amid public spending cutbacks and falling donations from the public, while more than 80% believe that the sector is facing a crisis. The pressure this is placing on resources is illustrated by the fact that nearly half of the charities surveyed say they are being forced to dip into reserves to maintain their work, while nearly one in three fear being forced to cut services or jobs.[12]

The Index clearly reflects these troubles, pointing to the difficulty charities have had in the past few years in engaging and retaining donors. The sector has suffered the steepest fall in relation to the previous Index, seeing its score plummet by eleven points to a worrying 86 (see Figure A). Frequent contact with consumers is vital if they are to keep people donating, as research from donor management CRM firm Bloomerang testifies. It found that 53% of donors leave because – in one way or another – they are not being communicated with effectively. This could be manifested in straightforwardly poor service, or in the absence of information on how their money is used, or in not receiving any thanks for having donated.[13] These findings demonstrate the importance of effectively individualised communications in persuading people to keep giving despite the squeeze on disposable income.

Since charities are less able to buy new prospecting data and have lower budgets for direct mail activity, they need to maximise their resources with better insight into and analysis of the data they do have. Through effective database marketing, they will be able to identify their most valuable donors, as well as spotting where people's circumstances have changed in ways that might affect their donation habits.

While the previous Index showed charities to have the closest relationships with older consumers, this time the trend has been reversed.

The Index shows that charities also need to redouble their efforts to engage women, who rated them as 22% below average with a score of 78. Men were less critical, only scoring charities 7% worse than average with 93 index points (see Figure L). These scores are a reversal of what was seen in the 2010 Index, when women awarded charities a slightly higher score than men, indicating that relationships between women and the charities they donate to have been particularly dented over the last few years.

[12] Charities Aid Foundation, One in six charities fear closure as charity funding crisis hits, Dec 2012
[13] Bloomerang, How can you retain your donors? Talk to them!, Feb 2013

Home Furnishings and DIY companies

The Index reveals that home furnishings and DIY companies demonstrate a total lack of familiarity with consumers, despite having access to a considerable amount of valuable lifestyle data. These firms garnered a sub-par rating of 79 (see Figure M), suggesting that they would do well to develop their loyalty offerings and make use of better database analysis. This sector has been relatively slow in adopting loyalty programmes, with the exception of Homebase, which launched its Spend&Save scheme in 1982 and has since forged a partnership with Nectar. By contrast, B&Q only launched its Club programme in 2009, and several other major players have yet to follow suit.

> The picture may be bleak, but these results actually reveal an opportunity for companies in this sector to gain an edge over their competitors if they are able to make better use of the considerable data they hold on their customers.

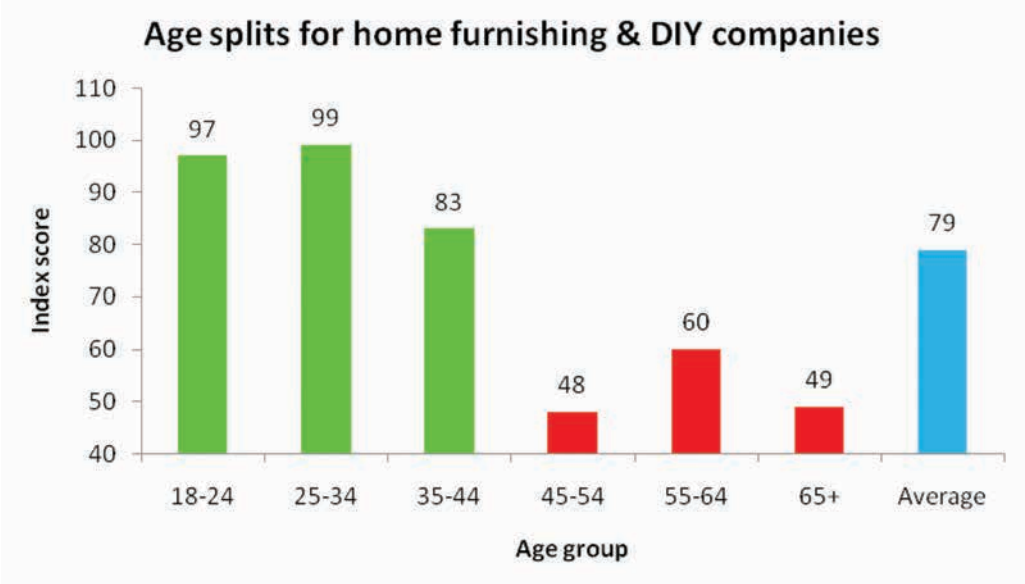
It is clear from the Index that companies in this sector would profit from better analysis of their customer data, and that those without loyalty schemes in place need to consider their potential for forging long-term relationships with customers.

Home furnishings and DIY companies are particularly unsuccessful in demonstrating their familiarity of female consumers, who give them a paltry score of 72, compared to the 86 points awarded by male consumers (see Figure B). Stores do not want to lose valuable female custom by making the assumption that the responsibility for household improvements will rest exclusively with men.

While companies in this sector performed poorly across the board, they registered particularly woeful scores with older consumers. Whereas the 18-24s and 25-34s only considered them to be slightly below average at tailoring their communications to build personal relationships with them – awarding unimpressive scores of 97 and 99 – older consumers clearly feel that these companies are doing a truly terrible job in this regard (see Figure M).

The fact that loyalty programmes are less well-established in this sector than in others is not sufficient to explain why consumers aged between 45 and 54 – who make frequent purchases in this sector, theoretically allowing companies to know a good deal about them – should consider their efforts to establish relationships through well-informed communications to be 52% worse than average with a score of 48. Home furnishings and DIY companies do not do much better at using data to engage consumers aged 65 and over – who give them an abysmal score of 49 – or those between 55 and 64, who award them 60 points (see Figure M).

Figure M



These companies can gather a wide variety of transactional data which, if subject to more sophisticated analysis than is currently the case, could be used to drive valuable cross-selling and up-selling activities. While home furnishings and DIY stores do profit from some high value, one-off purchases – a new kitchen, for example – they also make frequent, low value sales to the amateur DIY-er. It therefore follows that they should be using the considerable amounts of customer data derived from these frequent transactions to tailor their marketing offering and drive the up-sell of larger purchases.

The picture may be bleak, but these results actually reveal an opportunity for companies in this sector to gain an edge over their competitors if they are able to make better use of the considerable data they hold on their customers. By applying more sophisticated analysis and insight, the companies that have already launched loyalty programmes will be able to capitalise more fully on the potential rewards they hold. For companies without loyalty schemes, this will mean putting a structure in place to establish the personal relationships with customers that are currently clearly lacking.

Computer and tablet makers

This category has been extended since the last Index to reflect the increasing predominance of tablets as personal computing habits change. However, the Index shows that consumers feel that they are treated like 'total strangers' by these companies, whatever device they use. Companies that manufacture these products score a mediocre 78 points in the Index, revealing that they have had little success in establishing personal relationships with consumers (see Figure A). This can partly be explained by the fact that computers and tablets tend to be infrequent, one-off purchases and are more functional than emotive. Having said that, brands such as Apple have been famed for inspiring devotion amongst their customers, which would seem to suggest that they have harnessed enthusiasm for their products through well-targeted communications.

However, the Index shows that all companies in this sector need to do more to convert the data they have into genuine relationships with their customers. Indeed, a recent survey suggests that brand loyalty in this sector is in fact diminishing as competition increases. According to the 2013 Brand Keys Customer Loyalty Engagement Index, Apple's domination of the tablet market has come to an end, with Amazon overtaking it as the leader in customer engagement and loyalty.[14]

"The Index shows that all companies in this sector need to do more to convert the data they have into genuine relationships with their customers."

Older consumers in particular feel very little personal connection with brands in this sector according to the Index. While the scores awarded by 18-24s and 25-34s hover around the average mark – at 98 and 102 respectively – they start to plummet as consumers' ages rise, suggesting that more attention needs to be paid to older age groups, whose purchasing power is likely to be higher (see Figure E).

The efforts made by computer and tablet manufacturers to personalise their marketing communications are rated as 19% below average by the 35-44 age group, with 81 index points – a score that is made to look like a ringing endorsement by the 46 points awarded by consumers aged between 45 and 54 (see Figure E). While younger consumers may feel a degree of loyalty to brands in this sector, the Index shows that these companies need to do more with the data they hold to establish personal relationships with consumers of all ages.

[14] Brand Keys, 2013 Brand Keys Customer Loyalty Engagement Index, Feb 2013

Our results show that women are considerably less impressed than men at the level of familiarity demonstrated by their computer or tablet producer, rating them a full 34% below par with 66 points, compared to a more encouraging 91 for men (see Figure B). Nevertheless, both sexes indicate that they feel treated like a total stranger after purchase. As consumers increasingly look around for the best products, brands in this sector need to investigate new ways to improve customer retention through effective database marketing.

Car manufacturers

Car companies fared even worse than in the 2010 Index, slipping four points to 76 (see Figure A). Such a low rating runs counter to the common perception that people often become emotionally attached to their car and therefore loyal to a particular manufacturer. This notion is also called into question by a survey from used car website Motors.co.uk, which reveals that fewer than 34 per cent of people will remain loyal to their existing brand for their next car purchase.[15]

One factor affecting brand loyalty in this sector is the fact that people are buying cars less frequently. According to automotive research firm Polk, the average car on the road is now over 11 years old, compared to 8.4 years in the mid-1990s.[16] Cars are being kept in action longer for a variety of reasons, including the fact that they are built for durability and that the troubled economy has made many consumers reluctant to upgrade to a new car unless it is absolutely necessary.

This trend for less frequent purchases increases the likelihood that a consumer's lifestyle will have changed since the last time they bought a car, meaning they may have different requirements for their vehicle. Equally, this makes it more important for companies to ensure that the customer data they have is accurate, and that they are targeting them with relevant communications – something that they are clearly failing to do currently, especially amongst women.

The promotional campaigns run by these brands are often heavily skewed towards men – a strategy that the Index would suggest to be somewhat misguided since it ignores a powerful demographic of potential car buyers.

Female consumers gave car manufacturers a score of 68 points, rating their personalisation efforts as 32% below average, while men awarded them a score of 85 (see Figure B). The promotional campaigns run by these brands are often heavily skewed towards men – a strategy that the Index would suggest to be somewhat misguided since it ignores a powerful demographic of potential car

[15] Motors.co.uk Media Centre, Motor dealers 'should not rely on brand loyalty' for car sales, Aug 2012
[16] Polk, Average Age of Vehicles Reaches Record High, Feb 2012

buyers. However, while the score awarded by women actually registered a marginal increase of one point compared to the 2010 Index, car companies saw their rating from male consumers sink by eight points.

Car manufacturers fare badly with consumers of all ages, but particularly with those aged 45 and over – a finding that should cause considerable alarm since companies have had more time to build relationships with them, and older consumers often have more disposable income to spend on expensive purchases. Indeed, the lowest score – 48 – is awarded by the 45-54 age group, which includes a lucrative demographic of consumers with established careers and large families (see Figure E).

Companies in this sector are doing a marginally better job of connecting with younger buyers, with 25-34 year olds giving car manufacturers their highest score of 94. This is still disappointing, and, along with the other results, indicates that car brands are not currently using the customer data they hold to good effect. While car producers have long practised 'club' initiatives, these findings indicate that greater effort is needed to build relationships after purchase with consumers of both sexes and all ages.

Alcoholic drinks brands

The companies that the Index shows to be the most out of touch with consumers are alcoholic drinks brands, which register an abysmal score of 62. Not only does this signify the lowest score of all sectors in the Index; it is also an eleven point drop from 2010, indicating that the level of personalisation of their marketing communications has fallen further in the eyes of consumers (see Figure A). This is particularly true of men, whose score has plummeted from a moderately respectable 89 in 2010 to just 73 this time around – a trend that drinks brands will want to arrest. This is nevertheless still significantly higher than the score awarded by female consumers, which has dropped even lower from 55 to 51, meaning that women consider these companies to be almost 50% below the average when it comes to demonstrating a knowledge of their wants and preferences (see Figure B).

This woeful performance is perhaps surprising given the sheer level of promotional activity in which drinks brands invest. According to NEMS market research, the £40.7 billion UK drinks industry spends around £800 million per year on alcohol promotion and advertising.[17]

[17] NEMS market research, Alcohol Brand Loyalty: it's not only what you drink, but also where you drink it, Jul 2012

Research indicates that this activity does indeed influence consumer habits, with nearly half of British consumers saying that their choice of drink is affected by advertising, meaning that loyalty can only be discussed in the loosest terms since behaviour is often contingent on transient marketing campaigns.[18] And much of this promotional activity is aimed at a specific demographic, with high profile advertising campaigns like those run by Absolut Vodka, Disaronno and Carlsberg heavily skewed towards young consumers. This goes some way to explaining why this sector fares least badly amongst 25-34 year olds (with 93 points), followed by 18-24 year olds (81 points), while its score dwindles to a meagre 19 amongst the 45-54s and 22 amongst consumers aged 65 and over (see Figure E).

This woeful performance is perhaps surprising given the sheer level of promotional activity in which drinks brands invest.

Despite gaining widespread exposure through mass marketing, most of the interactions drinks brands have with consumers occur through an intermediate third party, meaning that they have little direct contact with consumers on an individual level and have to collect their data from a variety of disparate sources. The nature of the product also has implications for any discussion of brand loyalty, which can be affected by such factors as where drinks are being drunk, as NEMS notes in its research. A survey of UK consumers in 2012 found that alcohol purchases are often driven by offers, with less than two fifths of shoppers deciding which brand of beer they are going to buy in advance.[19] It revealed that consumers are happy to buy across price tiers depending on which promotions are available, making it difficult to establish their preferences.

However, the dire performance of drinks brands in the Index suggests that they need to get to know their customers better, and would be wise to explore the potential of database marketing as they look to establish more personal relationships with consumers and develop greater customer loyalty.

[18] G2 Joshua, Alcohol brand loyalty swayed by advertising, Apr 2012
[19] Bain&Company and Kantar Worldpanel's UK Shopper Survey 2012

No one can be ignored

The 2013 Customer Intimacy Index reveals an uneven landscape when it comes to the effectiveness with which different sectors are connecting with their customers. While supermarkets and banks are forging ahead of the pack, other sectors are faring less well, indicating that more work is needed to convince consumers that these companies really know them and value their custom. And this patchy performance is evident within sectors as well as between them, with certain industries impressing some groups more than others with the levels of personalisation and targeting achieved in their communications and other interactions.

Older consumers, for example, were far less generous in their appraisal of the companies they deal with than their younger counterparts, driving home the danger of neglecting any particular group. As new modes of communication increasingly seem to dominate the landscape, and the distinctions between them start to blur, it is understandable that some companies are focusing their attentions on the consumers who have the greatest exposure to, and experience of, these technologies. However, the Index demonstrates that this approach is misguided, and that companies need a strategy that encompasses every demographic just as much as one that embraces every new development in technology. Even if younger consumers spend more per person in particular sectors than their elders, the sheer volume of shoppers from older demographics means these people remain a key economic engine that brands ignore at their peril.

The 2013 Index saw two new sectors enter the fray and experience contrasting fortunes. While smartphone providers are evidently using the extensive information they have on their customers to build solid relationships with them, the other newcomers – home furnishings and DIY companies – need to do more to prove that they really care, establishing a level of intimacy that will gain their customers' trust.

Loyalty schemes have emerged as the most effective mechanism by which companies can achieve their goals, allowing them to collect increasing amounts of customer data and to respond to the patterns and preferences they observe with well-informed and relevant communications.

This personal touch is what demonstrates that companies are attentive to the needs and wants of their customers, and are using data intelligently to inform their marketing strategy. It is therefore crucial that companies have structures in place both to gather customer data and to put it to good use. Loyalty schemes have emerged as the most effective mechanism by which companies can achieve both of these goals, allowing them to collect increasing amounts of customer data and

to respond to the patterns and preferences they observe with well-informed and relevant communications.

In 2009, only 52% of consumers were members of a loyalty scheme, according to a report produced by The Logic Group and Ipsos Mori.[20] Contrast this with research from The Chief Marketing Officer Council in late 2012 which reported that 96% of the UK population is now a member of at least one loyalty programme,[21] and it becomes clear that loyalty schemes are an increasingly integral aspect of companies' efforts to establish meaningful and mutually beneficial relationships with consumers. Indeed, the results of the Customer Intimacy Index suggest that the industries in which loyalty schemes are prevalent are those that are the most successful at forging stronger and more lasting bonds with consumers.

With the economy continuing to stutter, it remains vitally important for companies to hold onto the customers they already have, and to find innovative ways of attracting consumers who may be reluctant to part with their hard-earned cash. The fate of several high street stalwarts demonstrates that conditions are brutal for companies that are unable to innovate. With new technologies constantly altering the consumer landscape and a bewildering quantity of data available to retailers, companies need a sophisticated multichannel strategy in place, underpinned by robust data analysis, if they are to thrive.

For companies in sectors that performed badly in the Index, the fact that firms like theirs are doing a poor job of communicating with consumers presents a golden opportunity for them to shine by establishing a level of intimacy with their customers that will leave competitors trailing in their wake. Gathering and employing data through a loyalty programme is one of the best ways to do this, as it can bring together data from a range of touch points for analysis and action.

For firms in sectors that performed well in the Index, it is equally important to continue developing new ways to stay ahead of the competition. Consumers have high expectations, and therefore companies that demonstrate anything less than an intimate knowledge of their customers will damage the relationships that they have worked so hard to build. Ensuring they are applying the insight gleaned from the data they hold on their customers will enable firms to hit their sweet spot with informed and personal communications, ensuring that they earn – and keep – their loyalty.

For any company, just ensuring that consumer data – specifically information that can be utilised to engender loyalty and boost margins – is being captured and applied is essential in today's marketplace. Any company which does not believe that the precise targeting, tailoring and personalisation made possible by database marketing – especially initiatives supported by loyalty schemes – are necessary in today's unsparing business environment is destined to struggle as better equipped competitors employ the full range of weapons at their disposal.

[20] The Logic Group/Ipsos Mori, The Imperatives of Customer Loyalty, 2009
[21] The Sponge Group, From Entitlement to Empowerment: Re-shaping loyalty schemes for a mobile-first world, 2012