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Loyalty's India Avatar

Loyalty in its latest India avatar is beginning to take the shape of services, facilities and experiences that money can't otherwise buy. The good news is that the trend is only growing, with more and more marketers seizing the opportunity to make loyalty meaningful for customers, coming out with customised and differentiated redemption offerings -- scuba-diving in the Andamans, or a holiday to Maldives, getting invited to a select stage production, or a ghazal soiree, or fashion and lifestyle events, or a sale preview. Watch this space for the new magazine COLLOQUY INDIA, and what's shaping the Indian customer loyalty market.

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WELCOME

Weaving Together the Art and Science of Indian Loyalty

BY KELLY HLAVINKA



Today, we see programmes spanning every industry, from airlines to ice cream. There is no more wait and watch. The golden age of loyalty is here.

The Indian economy today has an intrinsic seismic energy. Everyday there is a new startup, a fresh innovation, a success story born of the entrepreneurial spirit that “happens only in India.” And as the business landscape matures, marketers across all industries are beginning to discover that they need to learn the art and the science of building customer relationships.

In other words, customer loyalty is beginning to matter – and the nascent loyalty industry in India is poised to see explosive growth.

Very soon LoyaltyOne’s first publication dedicated to India, *COLLOQUY India*, will enter the Indian market. To be available in print and online, *COLLOQUY India* will not only draw upon the vast resources of its parent magazine and its loyalty experts, but will bring India-specific research, analysis, and expertise from its connections with loyalty professionals and practitioners in the country.

Today, we see programmes spanning every industry, from airlines to ice cream. There is no more wait and watch. The golden age of loyalty is here. In *COLLOQUY India* you will find a resource, a guide and a voice as you weave together your own version of the art and science of customer loyalty.

To see more than this preview, I invite you to head over to *COLLOQUY India*’s home on the website: www.colloquyindia.com. ↙

Kelly Hlavinka is the Managing Partner of COLLOQUY

India Takes Center Stage

By Aarti Gupta

With the increase in rewards programmes and entry of global players, Indian loyalty has become a rock star



SOME OF THE Who's Who of loyalty marketers across the globe are making high-octane entries into the Indian landscape. It is as if they heard the Indian consumer wailing, "I can't get no satisfaction," as the Rolling Stones would have crooned it in 1965. As the Indian loyalty industry is maturing, the once laid-back Indian customer is coming into her own like never before.

While the Indian shopper has become increasingly flirtatious with brands, they are deciding it is time to let her in on an established norm the world over: Active participation in deciding the shape and form of products and services she uses rather than being a passive recipient of marketing messages. Mere cash rewards and discounts won't do any more. Marketers are now wooing this sophisticated customer in style – personalising relationships, enhancing experiences, and making it count where it matters the most – in soft benefits.

In its latest Indian form, loyalty is moving beyond points, and beginning to take the shape of services, facilities and lifestyle experiences that money can't otherwise buy. Marketers are seizing the opportunity to make loyalty meaningful for their customers, coming out with customised and differentiated redemption offerings – scuba diving in the Andamans, a holiday to Maldives, an invitation to a select stage production, or a ghazal soiree.

Challenges abound: There are no more than 1 million households making over \$60,000 a year, almost one-fourth of India consumers are savers, and national chains that could anchor a partnership or coalition are still evolving. In addition, the urban-rural divide, multiplicity of languages and huge income disparities all make the country a hugely heterogeneous mass. One approach does not fit all.







Marketers are now wooing this sophisticated customer in style – personalising relationships, enhancing experiences, and making it count where it matters the most – in soft benefits. Mere cash rewards and discounts won't do any more.

But numbers have always been India's strength. Already, 42% of Indians participate in loyalty programs, according to the 2011 COLLOQUY Cross-Cultural Loyalty Study. This number is ramping up exponentially – when asked if they would be willing to join a loyalty program in the future, 26% of Indians says “yes,” and 57% said “maybe.”

There are already several well-developed proprietary programmes by such names as Pantaloons, Lifestyle, ITC, Taj, Trident, Kingfisher, Jet, Indian Airlines, and Bharat Petroleum, which have critical mass of 2 million members each. Taking into account the overlap in the estimated 50 million figure that often gets quoted around as participating loyalty members, the number of existing program members in India could easily be topping 35 million.

Clearly, there is a whole lot changing in the Indian loyalty industry, which is variously estimated between Rs 5,000 crore and Rs 8,000 crore. It's about time. The world's twelfth-largest economy with a proliferating middle class of more than 50 million is in the throes of a transformation in virtually every sector – retail, BFSI (banking, financial services and insurance), telecommunication, and hospitality. One only has to look at the growth in all of these sectors to see where the loyalty market is headed in the coming years. But first, a look back.

Rehearsals: How Early Programmes Laid the Groundwork

The loyalty industry in India grew from airlines and hotels, as with most other world markets. The global Executive Club programme of the British Airways has virtually been the prototype around which the early loyalty programmes, like the Air India Flying Returns, were modeled. It then became popular and recognised for its power and potential with the Jet Airways Jet Privilege programme. In the mid 90s, airlines had to apply to the

Directorate General of Civil Aviation (DGCA) for a license to launch such a programme. There was also a restriction on redeeming reward points – these could only be given against miles and not catalogued items.

Then came the hotels, with the Taj Inner Circle, The Oberoi and the ITC programmes. Soon enough the concept began to penetrate industries in a natural progression – fuel and fleet companies, courier and logistics, office automation. It was only a matter of time before retailers joined the bandwagon – there's hardly anyone without a loyalty programme today. Loyalty is now being taken beyond the consumer space, on to the B2B domain for employees and channel partners in FMCG (tailored cash discounts) and the IT and ITES industry.

Until recently, marketing has been rather basic in the widely disparate country that India happens to be. Small proprietary retailers or the friendly neighborhood kirana store owners have known their customers on a one-on-one basis, even identifying them and their family members by name, where they live, and what they like to buy. These shopkeepers have tended to keep customers loyal with these close relationships and also discretionary discounts. With more retailers growing into national chains, the loyalty market has now begun to get a little more systematic. Now, data mining and analytics are beginning to track the details formerly stored in the corner-shop owner's memory.

India's loyalty roots are attributable to three main factors:

- Early travel and hospitality models were easy-to-copy and import into other sectors
- An established, affluent SECA and B class, which provided a natural customer base for early airline programs
- An inherent Indian tendency toward loyalty, fostered by the type of shopper relationships created at kirana shops

Truth be told, an organised loyalty industry is somewhat emerging in the country as mom-and-pop outlets still dominating the retail landscape. But there are more backers of the changing paradigm today. Vishal Hanmattekar, director of loyalty, Indian Hotels Company Ltd, which operates the popular Taj Inner Circle programme says, “In the past two years loyalty focus has changed from pure rewards to differentiated experiences. Companies may have understood only customer revenue; now they are embracing customer knowledge more than ever before. That cannot happen if the loyalty card becomes just one more plastic stuffed in the wallet.”

Coalitions Heat Up: Global Players Enter the Indian Market

India's white-hot growth has captured the attention of the world's Big Three coalition players, each of which either has launched or is in process of building a programme here.

In July, Payback launched in India, one year after acquiring controlling stake in the Bangalore-based company Loyalty Solutions and Research. Payback (owned by American Express) rebranded the struggling home-grown loyalty programme 'i-mint' as Payback India, looking to capitalise on the international success of Payback Germany and Payback Poland where the programmes touch 35 million customers.

With the successful re-launch this fall, including popular Future Group banners like Big Bazaar and Pantaloons (coming soon), the programme now has 15-30 partners with 1,500 outlets and ten million card members – making it the largest multi-partner loyalty programme in India.

Payback India CEO Vijay Bobba is categorical that multi-partner loyalty solutions offer clear benefits in a complex, large and price-sensitive market such as India. The rationale is simple. "A coalition of strong partners on a common platform helps members to accumulate a large number of points quickly and multiplies redemption opportunities," he says. "This way, both shoppers and merchants enjoy tangible benefits."

Industry pioneer LoyaltyOne is hot on Payback's heels. LoyaltyOne founded the retail-led coalition AIR MILES Canada twenty years ago, and today operates North America's biggest coalition with over 70 per cent household participation. The company spent a year studying the Indian marketplace to craft what it sees as a distinctly "Indian" coalition tailored to the local competitive realities. It has signed partners in key categories and looks to begin roll-out early in the new year.

According to Leena Basrur, President of LoyaltyOne India, there is a distinct opportunity to leapfrog the start-and-stop efforts of loyalty practitioners in developed nations. "Harnessing the power of partnerships is just the starting point. Our research has shown us that the consumers are hungry for a good coalition programme that spans all key discretionary spends. Our partners are impressed by our open and independent model." Basrur explains that Indian companies

can make real strides in leveraging the data and insights of customer loyalty programmes – even in the early stages of engaging new middle-class consumers. "We believe that the key to long-term success is blending in-depth retail experience with coalition expertise, and leveraging the local nuances prevalent in India."

On the horizon is another coalition programme forming under AIMIA (formerly Groupe Aeroplan). Within days of the LoyaltyOne and Direxions partnership, this former loyalty marketing arm of Air Canada signed an MoU (memorandum of understanding) to form a joint venture with Tata Capital, a Tata Sons subsidiary, to launch another multi-party coalition programme in the country. The programme will be modeled on the lines of the successful Nectar coalition programme in the UK and Italy.

"We believe that now is the time in India, and that the burgeoning, technologically savvy middle class, densely populated cities and its highly competitive consumer-oriented market means that loyalty can play a pivotal role here," says Akash Sahai, Managing Director, AIMIA India. "To succeed in India you need to have the right partners. Our joint venture with Tata Capital gives us an excellent foundation on which to grow our business in India."

Competition among these global players will continue to heat up, and warm Indian consumers with a glowing variety of choices.



Today's Harmonies: Highlighting Partnerships

As loyalty programs proliferate, it's true that there are more cards on the table than one can play Rummy with. Today, nearly every brand worth its turnover has a reward program, and all industries are represented. As the industry matures, and programs begin to compete for consumer share of wallet, partnerships are forming. This trend will increase, as it maximizes the customer's ability to earn points and rewards.

There are three key factors shaping today's loyalty landscape in India:

- The rapidly growing SEC C class is changing the paradigm of who is spending and how big the market is,

- Organised retail needs data and insights to compete with the personal, intimate knowledge of the mom-and-pop retailers that make up 95% of the retail spending in India
- Recent entry of global brands (i.e. Tommy Hilfiger, HSBC) which are importing sophisticated, global loyalty strategies as they enter the India market

These elements are combining to affect proprietary programs in various ways, but are also driving a growing movement toward partnership and coalition.

Trendy independents

Many leading programs are still proprietary, and these are

As loyalty programmes proliferate, it's true that there are more cards on the table than one can play Rummy with. Today, nearly every brand has a reward programme, and all industries are represented.

driving the movement toward experiential rewards and incorporating soft benefits. They recognize instinctively what was identified in the 2011 COLLOQUY Cross-Cultural Loyalty Study, and that is that Indians crave recognition. The top factor influencing a decision to join a loyalty program was that the program “recognizes you as a valuable customer.”

For example, director of loyalty Vishal Hanmattekar manages 325,000 Taj program members. Today's well-heeled customer is familiar with some of the best loyalty programmes the world over, he says, and is demanding of what brands can do for her. Core loyalty therefore, especially in hospitality, has to rely heavily on recognition-building and emotional connect. So at Taj, guest preferences are captured and communicated throughout the brand to enhance future experiences.

Ranjit Kaul, brands general manager, ITC Hotels, likewise affirms faith in loyalty programmes structured around innovative benefits and experiences that are unique to a brand. “This is especially true in luxury products like hotels where it's the experience that makes a customer come back,” he emphasises. Uma Talreja, marketing head at Westside Trent, agrees. The Club West programme is built around a focus on modern deliverables. “Many airline, hotel and retail programmes today are cognizant of the value of loyalty as is evident in the innovations one can see in the space today,” she says.

Others are pushing equally hard to offer lifestyle benefits. Atul Chand is chief executive of ITC lifestyle retailing division. His exclusive 125,000-member Wills Club lifestyle privileges programme helps him derive half of the total sales for Wills Lifestyle. On offer are such goodies as opportunities to tee off at the Classic Golf Resort (the first Jack Nicklaus Signature golf course in South Asia at Manesar), access to ITC port lounge at airports, or shopping by appointment, among several other personalised in-store services.

Here is how it's being done. Hotels can, for instance, stock the guests' refrigerator with their favourite foods and mini bars can contain the beverages they prefer. They can even keep certain medicine that they know a guest uses. Taj does all that, says Hanmettekar, as also several other small things like accommodating a smoker guest near the elevator. ITC Hotels' Kaul in fact says they go to a ‘ridiculous length’ to personalise a guest's stay. Then

there are customised rewards like upgrades or offerings, anything apart from the expense account of the frequent traveler. The brand is always differentiated so that it sticks in the customer's mind.

Westside is doing a couple of things to pamper its members. These include dedicated cash counters, priority services and sale previews, in addition to exclusive shopping hours only for members during sales. Allowing members to choose a day during the year when they could shop on discount, like the Raheja group-owned Shoppers Stop does for its nearly 2 million First Citizen members, are other ways of personalising relationships. Cash vouchers for dining on special occasions, invites for special screening and concerts are all steps towards that.

In fact, some retailers today are taking loyalty to the ultimate level. They are co-opting customers into the development process. Westside and ITC are not the only two names doing this. “This not only allows for great customer insights, but also creates recognition for customers as they play an important role in aiding decision making by the organisation,” says Westside's Talreja. Coke Myrewards, Harley Davidson, Nike Runners, and Levis all run proprietary programmes that have extremely loyal customers because of the innovative strategies used to create their product experience.

Duets

Seeking for ways to maximize customer earn and burn options, businesses are exploring and forming partnerships – both with existing Indian companies and with international players – and this is ultimately paving the way toward coalition. International loyalty and direct marketing service providers have recently entered and are making a splash in India. They're armed with the latest tools to get actionable insights from data on customer spending and are using them to acquire and retain customers. It's only an indication of the maturing of the market.

Partnerships address customer concerns about low earn velocity. In the 2011 COLLOQUY Cross-Cultural Loyalty Study, 28% of consumers identified “low shopping level” and 19% listed “insufficient incentives” as top reasons for not joining loyalty programs.

One notable Indian partnership is emerging within the diversified conglomerate ITC. WelcomAward and Club Wills, loyalty programmes of the group's hotels and the apparel division, are in the process of being subsumed into one. Though the plan is under wraps, what's confirmed is that the newer bigger entity is likely to be unveiled before the year ends. An estimated 150,000 members have been invited to burn the current loyalty award points and enroll for the new one.

The rationale is pretty simple. Both are from the realm of fine living, making for a close business fit. Also this way, the brand equity of ITC is leveraged while enhancing the gamut for its customers to earn and burn points. A couple of industrial houses are appraising the opportunity to launch coalition loyalty programmes leveraging their entire range of product portfolio.

Others like the Landmark group of companies in India have already been enhancing their loyalty initiatives. In 2009, the flagship Lifestyle loyalty programme was scaled to a group loyalty programme so that a customer was able to earn and burn loyalty points anywhere across the group's companies – SPAR, Max, LMG and Citimax hospitality. Results were immediate – conversion of footfalls into purchases increased, and almost half of the sales began to be derived through the loyalty programme.

Coalition ensembles

Coalitions are a natural progression of partnerships, and that is that is exactly what three global suitors have been doing in their recent entries into the Indian loyalty market. Loyalty Partners GmbH, LoyaltyOne and AIMIA have all planted stakes in the ground in India, either launching or in the process, with coalitions designed to maximise consumer engagement.

There is one underlying factor common to all the three international entrants. Each owns or operates a successful coalition loyalty programme elsewhere in the world, and are looking to replicate it here. Their entry into India establishes that shared loyalty, partnered by more than one brand, is an idea whose time has come in this part of the world too. First pioneered in Europe and North America, coalitions caught on rapidly after introduction and experience has shown that most global markets have tended to gravitate towards coalition loyalty.

The recent coalition activity highlights what is still missing for Indian consumers – most are still spending too little to generate meaningful earn in a standalone program. Combine that with the relatively few numbers of organized retailers offering programs, and one can see that there are still limited opportunities for rewards to accumulate quickly. In response, the future of Indian loyalty will increasingly emphasize earn opportunities.

Coming Up Next: A Global Tour

Global loyalty majors are making a beeline for India, even though the loyalty space here is still in its early stages. As with so many other industries which have

reached a saturation point in the developed markets, the next wave of growth in loyalty will likely come from BRICS countries like India and Brazil.

As loyalty increasingly becomes a crucial differentiator in the era of intense competition, we can expect to see some of the finest international best practices being adopted for insight into customer behavior – what works and what does not, brand messaging becoming more targeted, especially through the use of social media communities – all contributing towards customer-facing organisations across functions and layers.

But more than that, the country should see some exciting new things in loyalty product design, customer interface and innovative use of technology. Already, players such as the Future group, Reliance Retail, Shoppers Stop and Landmark are experimenting with mobile-based redemption instead of the loyalty card most consumers forget to carry.

Loyalty's next big hits will emerge from a focus on these four factors:

- Leveraging mobile and technology as both a loyalty device and communications channel
- Partnerships – of multiple flavors – to deliver meaningful rewards to an eager audience
- Delivering on customer desire for status – recognition benefits not just for SEC A/B but the emerging SEC C also
- Using data to drive relevance in messaging with customers, as well as in assortment choices, pricing, customer service, etc.

Indian consumers will benefit from these changes and trends centering around the three global coalition players entering the market, and here is where the future of Indian loyalty will unfold.

The unanimous view is that the opportunities for loyalty program engagement could easily triple over the next five years. One thing is sure: Indians are going to be spoiled for choice.

The newer techniques will only be handicapped by imagination. The Indian consumer is taking center stage, surrounded by fans in retail, financial services, telecom and travel, and other industries vying for her loyalty. It is time for her big solo number, as global loyalty veterans and Indian programme managers chime in on another Rolling Stones number, "Start Me Up!" ↙

LEADERTALK: THE COLLOQUY INTERVIEW

The Devil is in the Details

Fireside chat with Shivaraj Subramaniam, Head of Brand Planning and Strategy at Madura Garments Ltd.

A COLLOQUY Q & A



A group of well-heeled gentlemen gathers in the cosy environs of an intimate room. Their suits are dapper, shirts crisp and shoes finely polished.

They have come here to enjoy some moments of connoisseurship earned as valued members of the Van Heusen Power Club. Over the next three hours, they discuss the latest in corporate attire, design, and trends. At hand are Van Heusen's own designers and brand marketing execs...

COLLOQUY: What do customers think of Power Club events?

Subramaniam: Such sophisticated and intimate events, including this format, Coffee and Conversation, are very well received by members. We also invite some members to our bi-annual trade shows, where

they can experience first-hand the merchandise that will hit the market over the next six months. Wearer trials are also popular with these high-value customers. Right from the start, the intention was to not just aggregate data, as one can fall into the trap of owning the data and not doing anything with it. The

aim was to understand the customer better and to engage the consumer and get him involved in the brand.

Q: How easy was it to start the Power Club, considering loyalty programmes are yet to come into their own in India?

Subramaniam: Most brands started off loyalty programmes because it was the done thing. How can you not have a loyalty programme, if you called yourself a retail brand? Sometimes customers would walk into a store and ask: "Don't you have a loyalty programme?" The trouble with loyalty efforts is that most brands haven't understood the nature and complexity of strategy, concept and operations. These are huge challenges and any brand that starts off a loyalty programme needs to think 50 steps ahead. The Power Club team worked on its programme for eight months before launching, and when it did begin, it was across the country and not a pilot. We didn't want to have a customer experience the loyalty programme in one store and then walk into another one only to find that they didn't have it yet.

Q: At the operational level, what did you need to do to keep customers coming back?

Subramaniam: The Power Club programme team found that the overall belief in loyalty programmes was abysmal. Customers saw little difference from one programme to the next and didn't think they led to much in the first place. At the store-customer-interaction level, this translated to customers being reluctant to share information about themselves, often scribbling it out of politeness towards some really earnest sales staff, and open rejection of the idea of having to carry one more plastic card. At the back-end this meant inaccurate information: There would be problems with phone numbers,

email ids, which would defeat the purpose of the programme.

Power Club simplified the whole task by saying that the only information needed was a name, mobile number and email id. Every other field would be optional. We found that if we had water-tight operations, then the consumers' credibility in the programme would automatically get impacted positively. Even if a person doesn't carry a card, a valid mobile number will be enough to track purchases and ensure that he is in the right tier – Classic, Silver or Gold. We also used a brochure, website and helpdesk for various aspects of the programme.

Most people will only read something when they have a problem, but if a customer is even curious, Power Club made sure there was one available. Our philosophy was to at least get a foot in the door; persuade the customer that hey, something good can come out of this, for me. We had to convince them we will benefit only if they benefit. So, across the three tiers and across 12 segments, from small things such as sending a welcome text message to keeping track of purchases to automatically ensuring a seamless transition from one tier to the next based on points earned, Power Club does all the hard work at the back-end.

At the front end, the aim is to constantly improve the experience every time a customer walks into a store: Our team found that if the first experience was very good, normally the second would occur within a month. Based on this, Power Club evolved first a 30-day hand-holding initiative and then a 60-day one that would include sending a customer who hasn't come back in the first 30-days a message that conveyed the store's appreciation for the first visit, and maybe an alert about some product this customer might like.

It isn't true that most people only want discounts and freebies from their loyalty programmes, It's about how the programme makes a person feel. There is a combination of soft factors, operational factors, excellence, and the value that the programme itself brings to them that eventually draws customers back.

Q: How do you measure the success of Power Club?

Subramaniam: Customers coming back is indeed the single most

Shivaraj Subramaniam knows full well that loyalty programmes are way more complex than points, freebies and discounts. Long-term success depends on how well the programme engages the finer sensibilities of the customer, and makes him feel wanted and part of an elevating experience

important measure of the success of the programme. You have to ask yourself how many people are actually coming back – even if it's just once – to our stores, making purchases, being conscious of the points earned and the value they are getting. In a year, how many unique repeats did the stores get? In the entire database, 51 per cent of the members have actually come back. Sure, within that segment, there are some who have come back more often in comparison with others. The biggest issue is how many people are coming back rather than how many times any one person is coming back. On this parameter, Power Club is really beginning to make a difference.

The result is that of the total revenue generated in the Van Heusen retail stores, some 120 of them, of the retail turnover, 25 per cent currently comes from the Power Club members. Don't forget that this is a single brand and a single category – apparel in general, unlike a retail chain store

that could have everything from crockery to apparel.

Q: What are you doing right; what's the ultimate Power Club secret sauce?

Subramaniam: The number one reason Power Club is getting it right is a manic obsession with operations. If you didn't promise me anything right from the start – that's fine; but if you committed to something and then for various reasons, failed to deliver, that's a level of dissatisfaction that a consumer won't



tolerate. Second, we've learnt to use our data – analyse them better, customise communication and offers to carefully identified segments: "You know what, you've always tried our shirts, and here's something that you might like in our range of trousers," – with a limited offer.

These offers do delight the consumers and they give them the feeling that the programme is alive and constantly engages them. At this stage, by no stretch of imagination are we saying we have arrived. In comparison with markets such as the UK for instance, loyalty programmes in India are nowhere close to maturity.

Programmes here are only now just moving from merely aggregating data to analyses. Virtually nothing has been done to quantify the opportunity in the loyalty landscape. This is so early that an Indian brand standard for loyalty programmes is a long way away. All brands are on their own journey and we are still discovering. ↙

RESEARCH

India's Marketing Mosaic

Running an effective loyalty programme means understanding this country of a thousand cultures; where social and economic diversity creates remarkable differences in perceptions and behaviour. Some insights from the 2011 COLLOQUY Cross-Cultural Loyalty Study...

BY RATHIN LAHIRI AND JIM SULLIVAN



THE MOSAIC THAT is India is coming together in a glitter of retail growth. Seemingly everywhere one looks, new businesses are opening and existing businesses are expanding. India and its consumers now form a coveted international market, drawing multinationals that want to count Indians as valued customers. India's 2010 estimated growth rate of 10.4 per cent ranks it as the fifth-fastest-growing economy in the world. Research firm McKinsey & Company predicts India will be a \$450-billion retail market by 2015.

This economic maturation offers dramatic opportunities for both

Indian companies and consumers; in 2008, organised retail accounted for less than 5 per cent of the market and is now expected to expand to 14-18 per cent by 2015, when India will be home to a pool of organised retail patrons as large as the current US population.

Optimism on the rise

Not surprisingly, India's growth picture indicates high consumer optimism and trust, an appreciation for luxury and recognition. The divisions among socio-economic class (SEC) and age have important ramifications for loyalty practitioners.

But the Indian market is much like its croplands – bathed in monsoon rains and then visited by crackling dryness. Thinking good things about the future is often difficult when the arid months leave the soil parched. That's not to suggest that the strength of the market will dry up, but it's inevitable that today's heady growth will slow to more normal levels, and the companies that will continue to thrive are those that will have identified and built relationships with their most valued customers. Indeed, the future will bring even greater competition not just among Indian companies, but also between firms coming to India from abroad.

Even so, in general, consumers trust both global and domestic companies. When asked to choose between, "Most businesses can be trusted" or "You can't be too careful with businesses" in a forced-choice question, 56 per cent selected the first option. In fact, 56 per cent of Indians surveyed trust foreign brands more than Indian ones and many feel strongly that competition from foreign companies is a good thing.

The current economic surge means that for Indians in the middle and upper classes, life is looking good. A third of this group (34 per cent) feel strongly that their economic prospects will improve over the next decade. Sub-groups within this class are even more optimistic; 51 per cent of those aged 26-34 strongly believe that their economic prospects will improve in the coming years.

While an effective loyalty strategy may not be a front-burner issue in today's Indian marketplace, it lays the groundwork for a more competitive and a more successful tomorrow. Only 1 in 5 Indian consumers (a mere 20 per cent) say they are "extremely loyal" to their favourite brands across six major categories. On the one hand, this can be seen as a distressing statistic;

suggesting that Indian brands do not engender loyalty. However, there is great upside to this statistic, too. After all, because the market has not yet solidified, the other 80 per cent of consumers are available for loyalty programmes to improve brand relationships – both today and for the long-term. In fact, 83 per cent of the market is now interested in joining loyalty programmes – and, by extension, being more loyal.

India's population of 1 billion is anything but homogenous. Just as it is difficult to find one store or thing that appeals to the whole country – except, perhaps outstanding cricket batsman Sachin Tendulkar! – one cannot say that there is one type of loyalty program that every company should implement and follow. That's not to say, however, that there's no correct strategy for each company to follow. Those strategies are borne from understanding one's market and customers. Given the diversity of India's consumer population, it isn't surprising that there are clear differences in loyalty participation, attitudes and perceptions among ages and socio-economic class. Understanding these subtleties is crucial to creating relevant programs that connect with your most valued customer base.

The ABCs of class preferences

The most telling insight gathered in the 2011 Colloquy Cross-Cultural Loyalty Study is the importance of SEC class. Much of the current state of loyalty programmes in India falls into class distinctions – offering an analysis of behaviour and attitudes for each. These divisions reveal a transitional market with significant untapped opportunities for refinement.

Only 42 per cent of Indians surveyed belong to a rewards programme (versus 74 per cent of Americans), with an average of 2.8 programme

enrolments per person. Yet, when looking more closely at the data, one sees significant class distinctions: Class A or consumers with disposable income belong to an average of three loyalty programmes; Class B belong to 3.7; and Class C to 1.8 programmes.

The data is in line with what one might assume: Those with more money shop more and naturally belong to more rewards programmes. This assumption, however, is hardly a neat answer because here Class B is more likely to be enrolled in more rewards programs than the wealthier, higher-end consumers in the A Class. This is attributable to an active Class B spending and shopping enough in organised retail to earn significant rewards. Class B is also likely to seek more value from a loyalty programme than Class A. The emerging Class C's lower membership rates can be explained by this segment still becoming familiar with organised retail, and not yet spending sufficiently to make programme earn seem worthwhile.

There are less-intuitive subtleties explaining why customers in each socio-economic class don't join loyalty programs today. The wealthiest consumers say they don't join rewards programs quite simply because they either believe that the programmes “do not offer me enough of a discount/incentive to join,” or (even more simply) because 34 per cent say that the places they spend their money don't have rewards programmes.

For B-Class consumers, the biggest enrolment hurdle is privacy – an issue that's more than twice as important to them as to those in the A Class. (By contrast, half as many B Class consumers don't join programmes because the places they spend money don't have such programmes). Finally, the clear loyalty hurdle in the minds of the C-Class consumer is the belief that “I do not shop/spend enough to be

eligible to join,” rather than privacy, the discount percentage or the availability of programmes.

Regarding obstacles to joining rewards programmes, two factors are potentially at play in the C-Class. First, although consumers in this less-affluent class are increasingly participating in organised retail, they are still more likely to purchase from small shop owners. Second, the rewards programmes in which C-Class consumers participate may be catering to the higher-income A and B classes and their habits. Without coalition and partnership programmes to help less-affluent consumers maximise their income, these customers may have trouble seeing value in loyalty programmes.

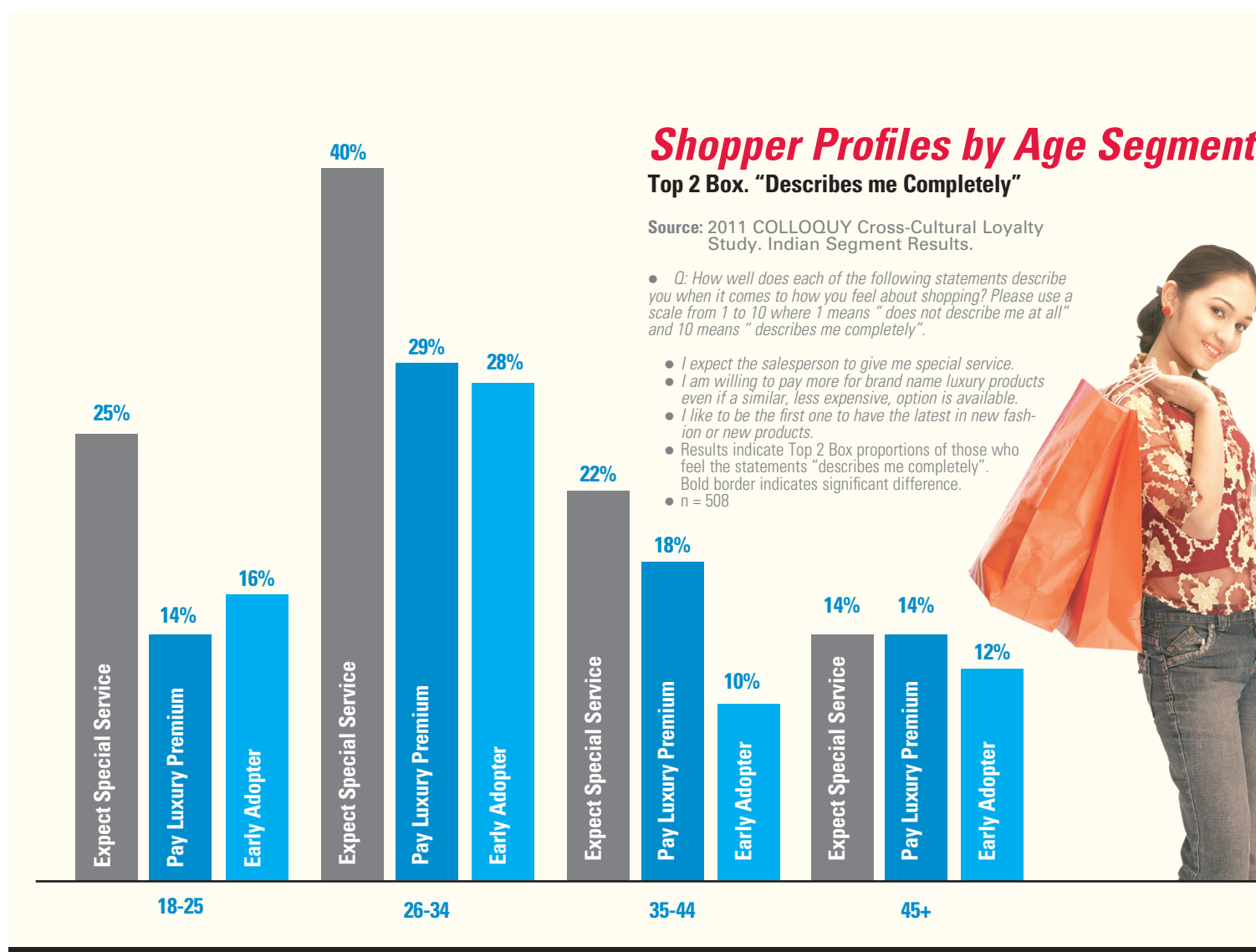
Critical age group

Loyalty participation and attitudes are also influenced by consumer age groups, each of which has its own characteristics. A theme evident through the data from this study is that the 26- to 34-year-old segment has particularly high expectations from loyalty programmes. This age group is a prime candidate for loyalty programme participation, so understanding their behaviours and desires is integral to programme success. While all customers emphasise the desire for special perks and privileges, the 26-34 age group is exceptional when it comes to wanting to be treated well.

This speaks to the importance of incorporating soft benefits into loyalty programs – special privileges, exclusive access and other special perks – to appeal to this age group.

Marketing masala

What makes India's mosaic a marketing challenge is its diversity of segments and needs. What's more, India is a country in flux with an ascendant population



unfamiliar not only with the idea of loyalty programmes, but also in many cases with the very idea of organised retail establishments. As marketers try to cultivate loyalty with customers, many of whom are engaging in organised retail, credit/debit and telecommunications services for the first time, they need information on the lay of the land. Our research provides valuable insights into consumer behaviour and attitudes relevant to loyalty programme designers.

For starters, customers need to understand what a loyalty programme is, why it is valuable and how it works. A critical review of a programme's value proposition – what rewards and recognition benefits customers

can earn and how quickly they can earn them – is required. The Levi's Loop program in India, for example, clearly and succinctly spells out the programme benefits and features on their website. And it does this in the context of being relevant to high-value customers, by emphasising "special privileges" as the first category.

Companies must also do a lot of work to make offers and messages relevant to customers. In an environment where the fast-growing C-Class is accustomed to doing business with local mom-and-pop businesses (and mom and pop both know them personally), loyalty programme communications must fully leverage customer-specific insights to cultivate a deeper relationship.

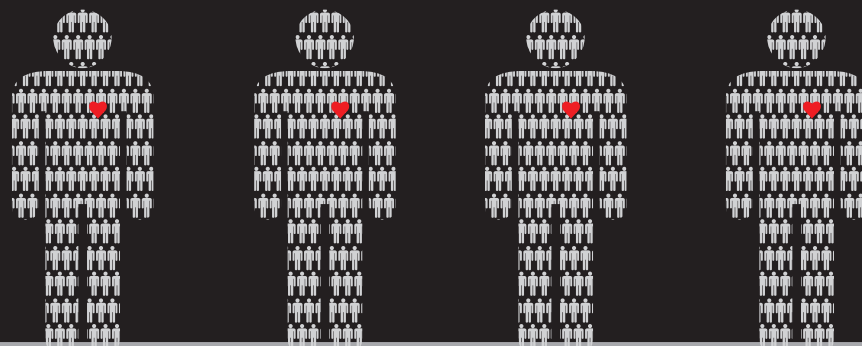
By building programmes based on these consumer insights, India has the ability to leap-frog ahead and not get caught in the pitfalls and missteps that have dogged programmes in the US and Europe.

Legacy loyalty programmes in the US, for example, are still trying to move beyond the practice of sending the same mass offers to all shoppers, based on total spend, regardless of what they buy. Yet, in India, marketers can deploy the latest data platforms and analysis to act on customer-level insights from the outset. ↙

For an in-depth look at the loyalty preferences and needs of Indian consumers and the five core imperatives that emerge from the 2011 COLLOQUY Cross-Cultural Loyalty Study head to <http://colloquy-india.com>



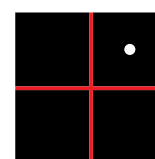
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- Marketing and Loyalty Trends of 2012

Confirmed Speakers

- Mr. Jan-Pieter Lips, MD, Nectar UK and Air Miles Middle East
- Mr. Tapan Singhel, CMO, Bajaj Allianz General Insurance Co. Ltd.
- Mr. Vinay Bhatia, Customer Care Associate & VP Marketing & Loyalty, Shopper's Stop Ltd.
- Mr. Shubhranshu Singh, Marketing Director, India & South Asia, Visa
- Mr. Rathin Lahiri, CMO, India, LoyaltyOne
- Mr. Akash Sahai, MD, AIMIA India
- Mr. Atul Ahuja, VP - Retail, Apollo Pharmacy
- Mr. Simon Hawkes, COO, Europe and Middle East, AIMIA
- Mr. Jim Sullivan, Partner, COLLOQUY
- Mr. Sudip Ghose, Group Marketing Director - South Asia, Samsonite South Asia Pvt. Ltd.
- Mr. Alexander Rittweger, CEO, Loyalty Partner GmbH
- Mr. Ashok MS, COO, Accentiv' India
- Mr Sanjay Tripathy, Executive VP, Head Marketing & Direct Channels - HDFC Life
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- Mr. Siddharth Hegde, MD, Ethinos Digital Marketing
- Mr. Soumitra Sengupta, Head - Customer Insights & Loyalty Programs, Aditya Birla Retail Ltd.
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- Mr. Sandeep Kulhalli, VP - Retail & Marketing, Tanishq, Titan Industries Ltd.
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