
“OF MACHINES AND MEN”

WHAT’S THE FUTURE OF BRAND LOYALTY
WHEN THE DECISION MAKER IS A MACHINE?



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Salmon
SHAPING FUTURE COMMERCE





Introduction

For years, the world of CRM has been awash with ideas to keep customers loyal – incentives, loyalty schemes, great quality products and service.

Newsflash – the goalposts are about to shift.

All of these ideas have been based on the decision-maker being a human. But what happens when it's a computer, or more precisely, a computer using a customer's data, which is making the purchase decisions? What does this mean for customer loyalty, and how should organisations prepare themselves?

The role of machines and loyalty 2.0

The future of ecommerce is one where machines will act on behalf of customers – reordering and replenishing on behalf of their masters. This is **“Programmatic Commerce”**^{*}: a future made possible as the Internet of Things, connected devices, and a demographic comfortable with sharing its personal data, intersect.

This new ecommerce future gives both customers and companies amazing opportunities to cement loyal relationships. This is the concept of “lock-in” – where temptation and opportunities to stray to competitor brands become more limited for customers, and their existing brand relationships are improved with speed and convenience. Organisations benefit too from a more reliable and predictable revenue stream via returning customers.

The flipside is a huge risk for organisations who don't get involved – one where they are “locked out” as their prospective customers enjoy automated and ongoing relationships with their competitors, and the opportunities to woo the customer back are systematically (and alarmingly) limited.

How machines can facilitate loyalty

Rather than talking theoretically, let's take a real world example to illustrate the implications of this new age.

In mid-August this year, us Brits finally got what we'd been waiting for – some sunshine.

Like most Brits, my family and I reached for two things once the mercury rose – sun cream, and ice cream. The only problem was, due to weeks of rain, neither my wife nor I had checked the forecast, and our freezer was bare.

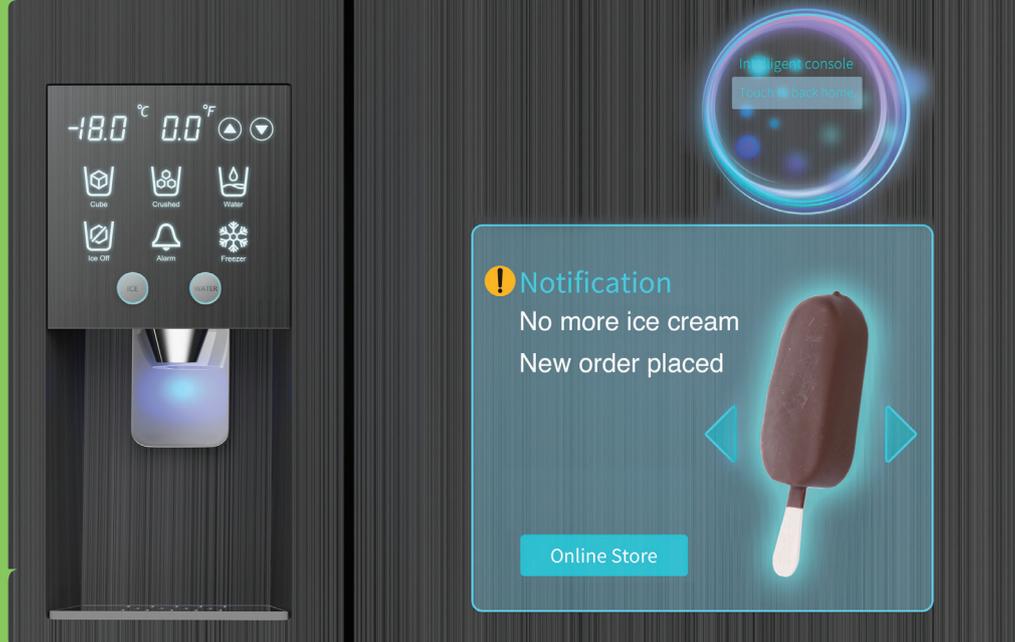
We, like many others, are Magnum people. For Mum and Dad, it's a Magnum Classic. And for the kids? The much more acceptably sized Magnum Minis are just right. Magnums are made by Unilever by the way.

But without anything at home, off to the corner shop we went. Now chances are, if you end up choosing an ice cream from your corner shop, it's going to be by Unilever. Unilever accounts for 22% of the ice cream market globally according to Forbes.

But in this instance, Unilever's success was not absolute. My son chose a Smarties Pop-Up (Nestlé). I chose a Mars Ice Cream (Mars). My daughter remained true to Unilever with a Mini-Milk while my wife chose to defer her ice cream enjoyment until the kids had gone to bed, by choosing a tub of Häagen-Dazs.

From Unilever's point of view, this scenario is a series of missed opportunities, resulting ultimately in their competitors' pockets being lined with revenue which was meant for them. For us customers, it shows how disorganisation and temptation sabotaged our loyalty. So how can both sides win?

^{*}Programmatic Commerce is a trademark of Salmon Ltd.



How could programmatic have safeguarded our loyalty?

Let's rewind to the rainy week in early August which preceded the nice weather.

What if our freezer had known that hot weather was on the way? What if it had known, via communication with the product (or in this case non-communication with the product), that we were out of Magnums? What if, via an online portal that I had signed up to, I had provided my details and consent to re-order in exchange for a reduction in cost and additional benefits like sampling? What happens if a few days before the hot weather, I had received an email asking me if I approved the delivery of some Magnums to my refrigerated delivery box outside my gates (provided by Unilever)? And what happens if I had clicked yes?

Here's the answer:

- Our freezer would not have been bare, and we would have eaten the Magnums.
- We would have appreciated the insights (for insights read Magnums) that our freezer and Unilever, working in tandem, had given us.
- The opportunity to be tempted by other ice cream products would not have arisen.
- Unilever would have gained revenue and protected its market share via its competitors.
- Unilever could continue to monitor our Magnum consumption and replenish when required.
- My family would have been locked in to a relationship with Magnums.
- And until we had reason to change our preferences, other ice cream brands would be locked out of the relationship.

The opportunities are endless

Now, some may argue that the example of ice cream isn't a good one – the margin's too small, people won't interact directly with an ice cream brand and so on. But everyone's always sceptical of change, particularly when it will necessitate some large organisational transformations.

On the contrary, ice cream is a perfect example. In fact, any product which you buy on a regular basis – those that have repeat purchase patterns – are prime candidates for Programmatic Commerce.

These could be anything from ice cream, to coffee, to underwear, to moisturiser. Think about how a machine predicting your consumption, reordering for you and replenishing the product could help ensure you never had to be without.

Think about how organisations would welcome this "guaranteed" and repeated consumption – and the impact this would have on their sales and marketing strategy.

And think about how this mutual benefit would minimise a customer's need to look elsewhere for different suppliers of the same product. Once your product decision was made, and your items reordered and replenished when required, it would take something pretty big to make you change brand allegiance. Doesn't that sound like a game-changing loyalty opportunity or organisations?



Do customers really want this?

The answer is yes. Research of 2,000 consumers conducted by Salmon and Censuswide in July 2016 indicates that 13% of consumers would be ready for Programmatic Commerce now, with a further 44% would be ready within 2 years.

When it comes to devices and products, the research also seems to back up this example. 58% said that the next time they replaced a device like a fridge or a freezer, they're likely to opt for one with smart technology, while 54% said that they would be comfortable using Programmatic Commerce for both household supplies and food and drink.

But organisations must tread carefully. Time must be spent establishing the security and privacy standards as concerns still exist about privacy of data. In fact 69% of UK consumers said that they were already uncomfortable with the amount of personal data already being used. The good news is that other than approving automated replenishment, brands should not need additional data, just a new analysis of the data they have.

Organisations must also ensure that the commercial benefit they experience from programmatic is via increased loyalty and revenue. This is because whilst customers appreciate the benefits of programmatic, 71% would not pay more to use it.

Conclusion

So if Programmatic Commerce is on the horizon, then a new world of machine-led loyalty is not far off. This is a future of high reward for customers and organisations locked into mutually beneficial relationships. It is, however, a future of huge barriers and risk to those locked out. Which organisation are you? You decide.

In the meantime, familiarise yourself with Programmatic Commerce. Industry experts are citing it as the next big thing in digital, and tellingly, your customers will be ready to embrace it within 2 years. Salmon has recently conducted a major piece of research into UK consumer attitudes to the coming programmatic age, highlighting its impacts for brands, retailers and smart device manufacturers.

Download your complimentary report at Salmon.com.

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About the author

Hugh Fletcher – Digital Business Consultant, Salmon Ltd.

Hugh helps organisations prepare themselves for, and implement, digital change. This strategic consultancy is based on innovations and developments within the digital commerce sector. With close to 12 years' client-side experience – much of that with Audi – he brings a unique perspective forged by his client experience.