



Relevant by Design

Customers respond to offers made in four dimensions: Spatial, Temporal, Individual and Channel. Use data to develop approaches within each of these dimensions, and they become significantly more valuable because they reduce the time customers spend researching and making choices.

Marketers lament the difficulty of standing out in a complex and cluttered marketplace, but think about this problem from the consumer's perspective. Selling might be tough, but so is buying. And making good choices is costly.

A large body of marketing and economics research has demonstrated that the monetary *price* that a consumer pays for an item does not equal its cost to the consumer, because there is a "search cost" to the consumer that's associated with the purchase. This cost includes "unpaid work" of comparing products, prices, offers and bundles — the time and effort involved in gathering and processing information about a product, service or offer, as well as looking for and evaluating alternatives, including traveling to retail locations and navigating through a store or website.

Nobel-Prize-winning economist Gary Becker has argued that because this cost is so high, changing consumers' established behavior patterns can be very difficult. Without substantial motivation, or provocation from external forces, consumers often simply do what they've done before. Similarly,

Focal Point | Value in Relevance

- Relevant offers reduce a customer's cost of selecting for products and services by lowering the pre-purchase "search time." Relevant messages and offers fit into one of four categories:
- Spatial relevance makes a connection based on a customer's physical location.
- Temporal appropriateness reaches a customer via relevant timing.
- Individual importance makes a personalized offer targeted to an individual's preferences or buying history
- Channel relevance connects via a customer's preferred, messaging vehicles.

research into consumer decision-making demonstrates that the sticker price and benefits of an offer only partially influence choice. The cost of making that choice is equally important in the decision process, if not more so.

On the other hand, relevant offers are of significantly greater consumer value because they reduce the cost of searching and processing information. In fact, recent experimental research has demonstrated that saving consumers even a few seconds of navigation can drive market share increases of 14-50% over otherwise equivalent competitors.



Consumers search because they believe they can improve their “utility” or satisfaction with purchases by either finding an item that more closely matches their preferences or finding the same item at a lower price. Consumers stop searching when they feel that the incremental cost of additional search outweighs the benefit. Relevance reduces the cost of consumer decision-making and, therefore, increases the offer’s value.

It’s here where loyalty marketing can excel. Instead of simply trumpeting the latest promotion, integrate your offers with how consumers search. Your offer will become more relevant to the choice(s) at hand, and it has a much better chance of influencing the buying process.

Offers become increasingly relevant when they are:

- executed where customers are (spatial relevance)
- consistent with what is being considered now (temporal relevance)
- personalized (individual relevance)
- received in the consumer’s preferred manner (channel relevance).

Though offer success can be enhanced by improving relevance on any one of these dimensions, a focus on multiple areas can be even more rewarding.

+ RELEVANT REVELATIONS BY DESIGN

We’ve all heard the clichés: Too many brands are fighting for market and mind share among overly stressed, attention-deficient, time-pressured, multi-tasking consumers through increasingly fragmented communication channels. Yep, it’s tough out there. To break through the clutter, loyalty marketers must become and stay relevant to the high-value consumers they seek to attract and keep.

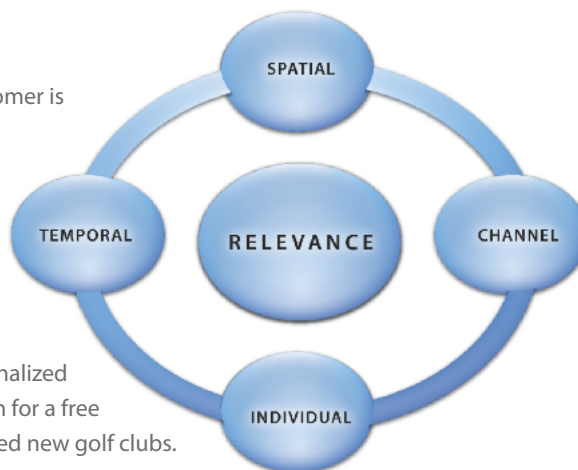
The key characteristics of relevance:

Spatial relevance. The offer is made **where** the customer is at that moment — say, an offer for a free gift with a purchase at a store around the corner.

Temporal appropriateness. It’s all in the timing and **when** the customer is receptive — say, an offer for trip insurance while searching for an airline flight.

Individual importance. **Who** gets the offer — personalized offers speak loudest. For example, an offer to redeem for a free golf outing made to someone who recently purchased new golf clubs.

Channel relevance. In an age of countless ways of communicating, know and leverage **how** consumers prefer to receive messages.



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Spatial Relevance

Grocery stores offer loss leaders in flyers because they know the value of traffic. Though they take a loss on the advertised specials, it's the basket of purchases that's important. Odds are that once in the store, consumers attracted by the specials will make other, higher-margin, purchases.

Because time and effort are often more valuable than money in our affluent society, spatial proximity reduces the cost of search and increases an offer's perceived value. A recent Accenture study found that when shopping in-store, more than 80% of consumers would like to be able to use their phone to access coupons and additional information about the products on the shelf in front of them. The difficulty, of course, lies in getting consumers to visit a location in the first place.

Three ideas on how offers can be made more spatially relevant:

1) Integrate offers into consumer shopping patterns. Do your customers shop where they live, at a big-box hub, or on the way home from work? Don't try to change these patterns. Rather, work to facilitate them. If your patrons pass by your stores on the way to or from work, offer a "commuter's special" available at convenient locations along their route.

2) Take advantage of co-located retail outlets. Geospatial information systems can match customers with the retail locations they patronize to provide a perspective on trading areas. Research shows that these trading areas differ in size, shape and shopping pattern. With many retailers concentrated in shopping hubs, there are opportunities for co- and cross-promotion that reduce consumers' search costs by making it easier to shop more efficiently.

3) Go mobile. Mobile technologies allow retailers to trigger offers via text messages or alerts to customers near a specific retail location. Consider ways to encourage your best customers to extend their stays in an area.

Temporal Relevance

Just when the plot on your favorite television drama takes an interesting turn, a commercial stops the action. Most marketing efforts follow this general pattern. They interrupt consumers from their train of thought with messages that interest only a fraction of the recipients.

In contrast, temporal relevance concentrates on interacting with people *when* they're most receptive. Offers and promotions that are in sync with what consumers are thinking about *right now* are pleasant and helpful, conveniently delivering information they want when they want it, requiring minimal search. Those same messages become unwanted commercial interruptions when they reach a consumer at the wrong time. An example of temporal relevance is Google's AdWords, which provides a paid link to the

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consumer right when they are conducting a web search. For Google, being temporally relevant has helped drive advertising revenue from \$67 million in 2001 to over \$28 billion in 2010.

In general, marketers do this instinctively. After all, back-to-school promotions are offered before school starts and beer ads don't run during breakfast time. However, the loyalty marketer's rich database of consumer behavior opens the door to more sophisticated and effective means of creating temporal relevance. For example:

1) Be the go-to information source. If you're not sure what your customers are thinking about, be ready to make their search easier when they reach out to you. Does your website provide expert and unbiased advice? Are you the access point for category information, even if that means connecting your customers to third-party sources (including competitors)?

2) Look back to the future. Your customers' recent purchases can tell you what's currently important to them. A household purchasing infant diapers for the first time is probably in the midst of a major change in consumption patterns. On a smaller scale, buying a new barbeque signals that the consumer is likely to be especially receptive to offers for meat, beverages, outdoor furniture and other complementary items.

3) React quickly to purchase triggers. One purchase often triggers an immediate search for related products. When this happens, the window of opportunity tends to be small. For example, you may not know when a consumer is thinking about a new dress, but once she buys that dress, she's likely to be in the market for new shoes and other accessories. Do your systems allow you to react to "trigger product" purchases?

Individual Relevance

Companies like Amazon and Netflix use complex analytics to tailor customer recommendations. An example was part of the basis of Chris Anderson's "Long Tail" observation: Netflix recommendations account for 60% of their movie rentals. What do you know about individual customers' circumstances, interests, passions and preferences that will engage their interest?

Three ideas on how loyalty marketers can improve their individual relevance:

1) Provide segment-congruent content. Ensure that the content (pictures, words, etc.) is congruent to the segment of the individual you're targeting, whether based on age, gender or lifecycle stage. Moving beyond a casual glance is more likely if consumers see an offer that looks (and feels) like it's for them.

2) Discover Passions. People spend a disproportionate amount of time, money and mental effort on their passions. Figure out your customers' passions — a destination, a sport, a hobby, a cause, and so on — and target offers accordingly.

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3) Reduce Choice. To many marketers, this advice seems counterintuitive, if not outright blasphemous. But the retailer that simplifies the search process by presenting only the most pertinent products saves the consumer time and effort and reduces that cost of shopping.

Channel Relevance

Customizing the message to the channel format that customers prefer not only increases the likelihood that your offers will be seen or heard, but also makes customers more receptive. For example, while Accenture research suggests that many shoppers are open to receiving coupons on their mobile device, Brunner research indicates that 85% of mothers with children under twelve prefer to get their coupons by email.

Three ideas on how offers can have more channel relevance:

1) Encourage self-selection. Though it seems that everyone is creating as many channels of communication as possible – email, address, phone, Facebook, Twitter, and so on – most customers don't want to interact with you in a dozen different ways. Encourage, or even reward, customers for self-selecting their preferred method (or two).

2) Pull — don't push. Early communications channels were all one-way – pushed from the firm to the consumer. However, consumers now have many options to pull offers from the internet (downloadable coupons) or on the go (for example, SMS). Consumers who reach out for an offer are in search mode and likely close to an actual purchase. A pulled offer is also a strong signal of temporal and individual relevance.

3) Integrate relevance across dimensions. Even if communication through the best medium is established, volume and flow are also concerns. Do customers want to hear about all possible offers or about only a few? Are offers preferred one at a time in the form of alerts or periodically as a digest of all available offers? The right channel is more effective when it is used in a manner that is individually, temporally and spatially relevant.

Time and Place

An offer's value to a consumer changes with the circumstances of search. A cluttered marketplace with too much choice increases overall cost of consumption. To economize, consumers limit the time, place and scope of their search. Rather than interrupting consumers, find ways to integrate with this process – be relevant by design and make your offers resonate and be recognized. +



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