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THE LAST WORD

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"A unified loyalty programme doesn't work in India"

While the Indian retail is waking up to customer relationship management, coalition loyalty programmes remain a far cry, Jayaraj tells *Rajarshi Bhattacharjee*

DALIP KUMAR

Long-time sales and customer-service professional Jeffrey Gitomer's book says, "Customer satisfaction is worthless", customer loyalty is priceless'. How relevant is Gitomer's contention in the context of the Indian market?

Let me explain it to you a bit differently. I grew up in a small place in Kerala. As a kid, every shopkeeper in my neighbourhood knew me. They knew my father and my grandfather. I also knew the shopkeepers and their families. That is how retail used to be. The Indian retail business was run in a network, knit together in a very personal manner. Post globalisation, what we are seeing is a rapid depersonalisation in Indian retail. There are thousands of companies catering to crores of customers every day but the companies don't know who those customers are. When a customer walks into a retail store, the shopkeeper doesn't know who she is, what she buys or why. But companies cannot afford not to know their consumers.

What can bridge the gap today is technology-based consumer relationship management (CRM). If you look at advanced markets, the concept of loyalty, of CRM is very advanced. In India, companies are just waking up to the realisation that if their customers suddenly stopped-coming, they wouldn't know where to go and look for them. There lies the whole relevance. Today, even though organisations are growing, sales are growing, one needs technology and processes in place to manage their relationship with their customers. That's where the modern industry of loyalty is getting created.

To answer the second part of your question, the concept of CRM is nascent in India. It's a newborn industry but growing rapidly. So this country has the scope to do a lot more in customer loyalty-related activities.

How can brands differentiate themselves based on loyalty programmes?

Fundamentally, a brand is a business entity. If a brand sells 1,000 crore units a year, it needs to know who its loyal customers are and who are the new customers that are yet to develop loyalty towards the brand. May be, 20 per cent of the buyers have generated 80 per cent of the sales for the brand. So it becomes essential for the brand to reach out to its top 20 per cent customers.

What are the areas where loyalty programmes tend to fail?

Customer loyalty, as a concept, is not very relevant and will fail in situations where there aren't frequent purchases, like buying a house or a car. In this context various other factors may play a key role, but not loyalty.

Do you think loyalty programmes is the only tool to garner customer loyalty? If not, what are the other tools?

Do you think giving a customer one or two points on a purchase of ₹100 or ₹200 really creates loyalty? Absolutely not. Loyalty programme is a basic platform to do a whole lot of other things—understand your consumers, their buying behaviour, likes, dislikes, age, demography, anniversary, thus displaying to

Introducing Bijaei Jayaraj

- Bijaei Jayaraj founded Loylty Rewardz Management Pvt. Ltd four years ago with an eye on the still nascent consumer loyalty and relationship management business pie.
- Today, Loylty Rewardz has captured around 60 per cent of the market share, running loyalty programmes for a cumulative card base of 175 million credit or debit cards in India.
- The company has processed over 219 million transactions, awarding over 8.1 billion loyalty points, with over 11 million transactions worth over ₹2,000 crore as monthly process
- Prior to founding Loylty Rewardz, Jayaraj worked with Jet Airways as the head of its loyalty programme, Jet Privilege, and with MasterCard Worldwide as the head of MasterCard's relationship with the State Bank of India.
- While at MasterCard Worldwide, Jayaraj was twice conferred with the MasterCard SAMEA Star Award (South Asia, ME & Africa) and once with the APMEA Star Award (Asia Pacific, ME & Africa) for his achievements for MasterCard businesses worldwide
- Jayaraj, who has worked in the advertising industry in Muscat, Sultanate of Oman, and with McCann Erickson Worldwide (FP7) in Dubai, UAE, holds a master's degree from Jawaharlal Nehru University, New Delhi. He was also a member of the founding class at the Indian School of Business, Hyderabad

them that you know them very well. Loyalty programme is a story around which you do all these activities. The loyalty points are like the glue sticking all these activities together.

Loyalty programme is the only tool in this direction. If you want true loyalty, you need a loyalty programme. One can talk about delivering quality goods and services, timing, fair price, etc to garner loyalty, but if you don't know who the customer is, you can't deliver efficient services. To offer efficient services you need a loyalty programme. If you don't have a database, you don't know the repeat purchasing behaviour of your customer, how will you offer efficient services? A loyalty programme is a tool to know your consumers.

Would you agree that retail and airlines have made better use of loyalty programmes than others?

Airlines, yes. Globally, this is one industry that has deployed loyalty programmes successfully. But the picture is not the same for Indian retail. There are many retail companies that do not have any loyalty programmes. However, I see a huge potential in retail and in the next five years we are going to see a dramatic improvement in CRM strategy of retail companies.

How mature is the loyalty programme strategy in the Indian banking sector? It should have great potential as a segment since consumers are most careful when it comes to the safe keep of their hard earned money.

The banking sector in India has millions of consumers unlike the retail sector, which is highly scattered. We have a strong presence in the banking sector and are helping it to realise its potential.

The sectors that are yet to realise the potential of CRM includes hospitality that gets frequent travellers. A potential sector need not be an organised one. It can be a single hotel that can get to know details, including food and accommodation preferences of customers.

Are unified loyalty programmes, where the customer will be offered one loyalty programme for a range of enterprises/merchants, the future?

A unified loyalty programme, or coalition programme, doesn't work in India. They work well in mature markets. In Indian retail, which is a $450 billion industry, the organised sector is only about $30 billion. In mature markets, there are large coalition programmes where multiple organisations — say, a petroleum company, a travel company, a bank and a retailer — come together and create one big loyalty programme. India is not ready for this because none of the organised players in retail today has the scale to reach even a fraction of the total market.

Looking at the future, if the Indian retail industry gets itself organised rapidly, there will be possibilities of introducing unified loyalty programmes. But I doubt it. It will take time. Ten years down the line, perhaps yes. In a fragmented retail market like India, you need an innovative model that may not be a true-blue coalition programme having different databases but stitched together in a common platform.

What are the scalable technologies in loyalty programmes available today? What kind of data intelligence do such technologies deliver?

There are various kinds of loyalty programmes. Take Loylty Rewardz. We run loyalty programmes for 175 million debit and credit cards in India. We process about 11 million transactions every month. The total value of those transactions is around ₹1,700 crore every month. When you are going to the scale of a billion, you need significant database to put in all these records.

At the end of the day, loyalty is like banking — debit and credit — some points in, some points out. Add a million and it becomes an extremely complex situation. We have awarded a cumulative 7.8 billion loyalty points in India so far. For those kind of points you need significantly strong and stable technology platform together with a strong network, database management, security and infrastructure to track all these.

How does it help? If you take a bank that has 2 million customers, do you know the top 20 per cent customers? The bank with 2 million customers is making a ₹100 crore profit every year. If you dig deeper you will realise that 20 per cent of the customers gives ₹80 crore revenue. Of the rest, about 10 per cent might have been retained at a loss. The bank has no way of differentiating and understanding who is better and who is not without tracking the customers' behaviour, quantifying their activities and profitabilities. The bank here needs to differentiate the more profitable customers and treat them better. The idea is not to treat the less profitable customer badly but to treat your more profitable customer better. ♠