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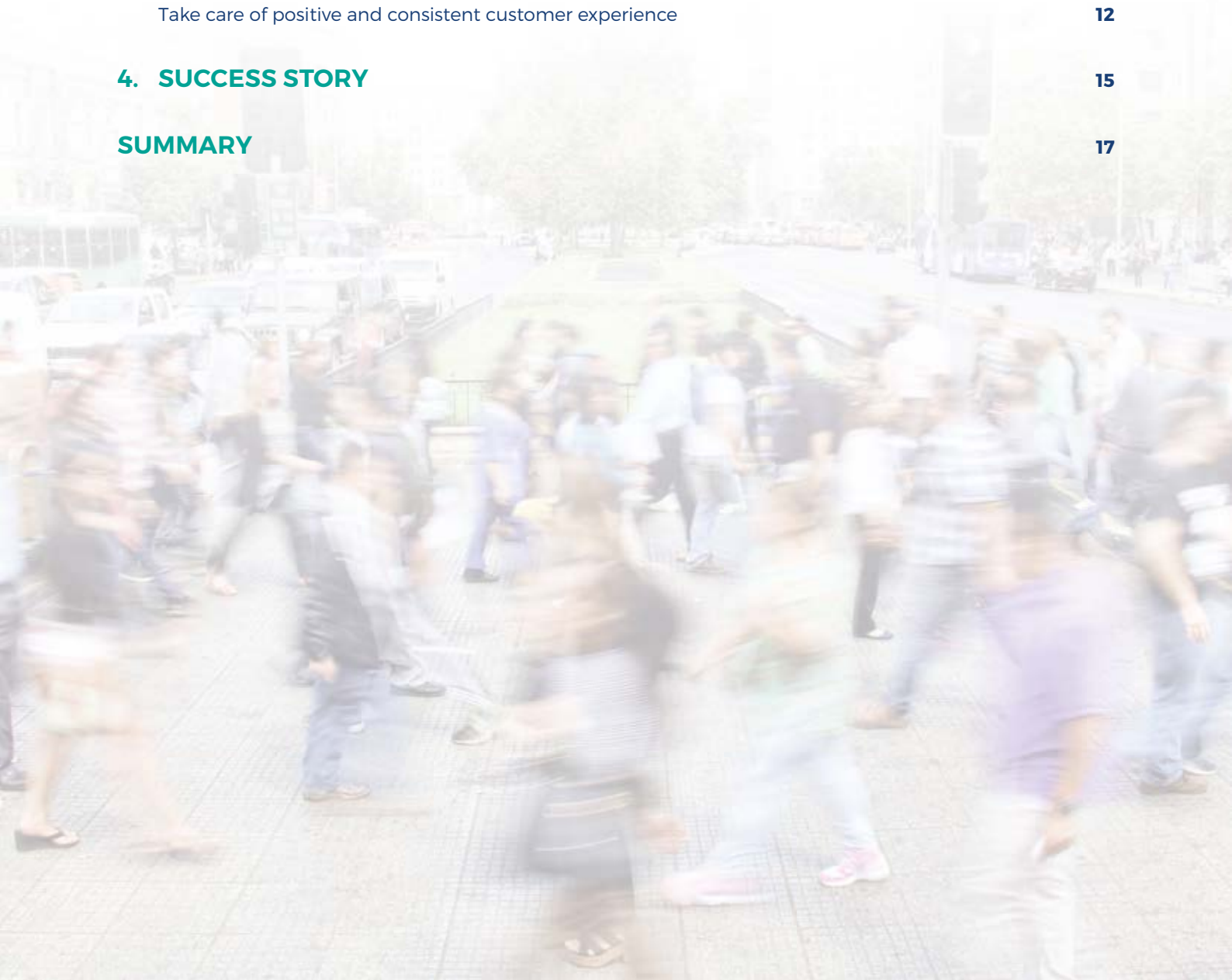
CRM&MARKETING



**B2B LOYALTY & ENGAGEMENT PROGRAMMES
DO THEY REALLY WORK?**

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INTRODUCTION

Gaining customer loyalty is absolutely crucial for B2B marketers. It helps to gain referrals and to create new cross-sell and up-sell opportunities. However, today it seems that they prioritise acquisition over retention. Most B2B marketers need to change their mindset, moving from focusing on products and internal processes to concentrating on the comprehensive customer relationship. One of the main tools to address this need is a B2B loyalty programme with fixed objectives, a target group and relevant, personalised benefits.



In this white paper we will highlight the key challenges that B2B marketing executives face. Moreover, we will explain the basics of engagement and loyalty programmes and point out the new dynamic changes in the current B2B environment. Finally, we will share some tips and recommendations, collected during various projects with international brands. We are sure that you will find them useful when creating a new B2B loyalty programme, or revamping your current one.

Comarch Loyalty & Marketing Team

1. KEY CHALLENGES IN B2B LOYALTY & ENGAGEMENT PROGRAMMES

CHALLENGE #1

B2B landscape complexity

The first challenge for B2B loyalty programmes are a fragmented, intricate route-to-market landscape a high concentration of buyers within one distribution channel and business relations that are influenced by various, sometimes not so obvious, stakeholders. All of this constitutes into an environment where assessing the effectiveness of relationships

and identifying who should be the real recipient of loyalty programme incentives is extremely difficult.

The contract-based nature linking the supplier and buyer, and superiority of price over other factors in the decision making process to retain or switch supplier can make loyalty programmes obsolete.

CHALLENGE #2

No control over customer experience (CX)

Companies struggle to truly understand what clients value, and struggle to respond with active, personal and consistent messaging. Enterprises and their partners do not deliver consistent and valuable CX across the entire sales ecosystem. Employees

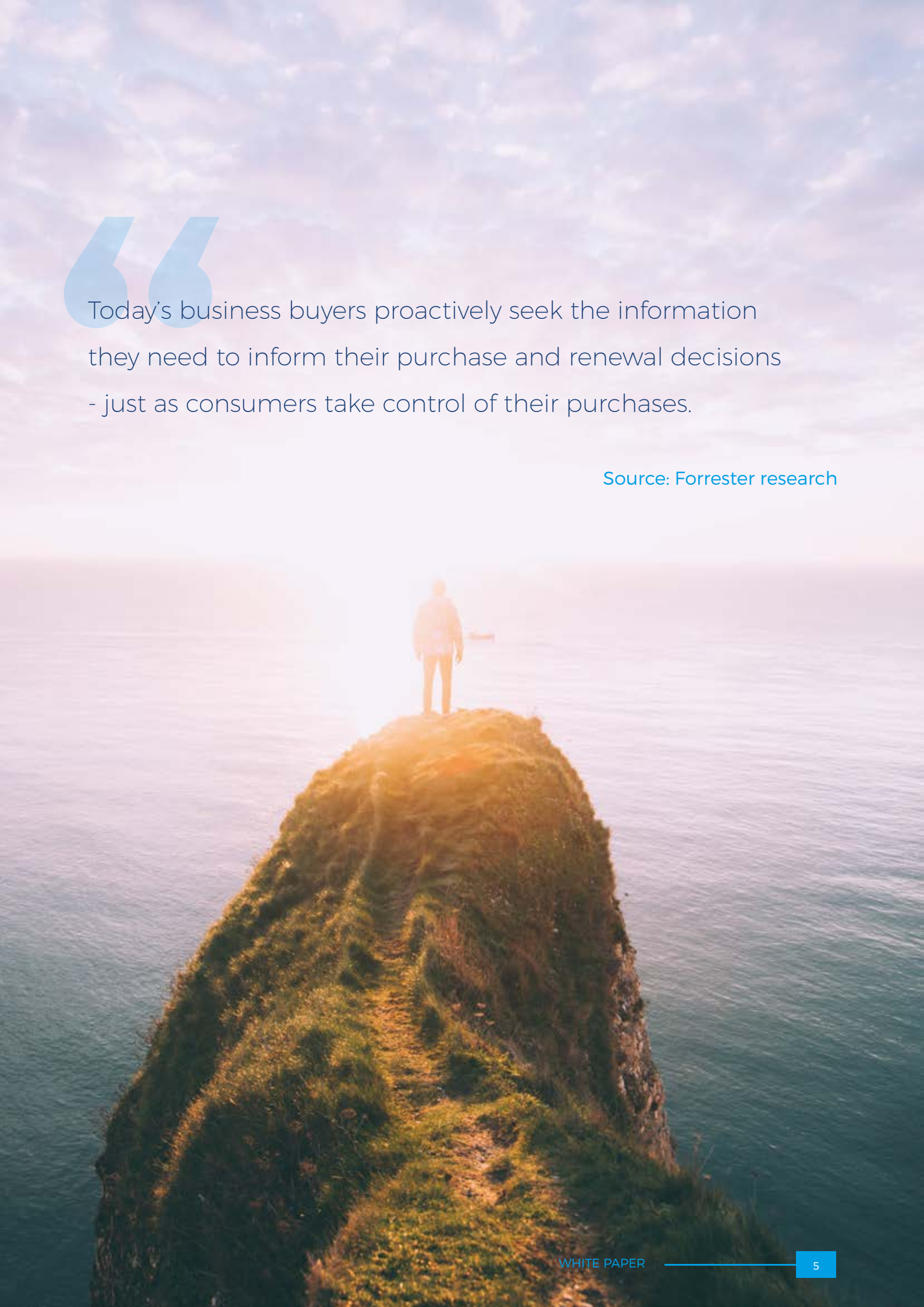
often have no time to share knowledge about products and their capabilities, novelties and offers. It's difficult to scale and measure all interactions without integrated systems to collect, analyse and apply customer insights.





Today's business buyers proactively seek the information they need to inform their purchase and renewal decisions - just as consumers take control of their purchases.

Source: Forrester research



CHALLENGE #3

Integration of communication and sales channels

Integrated and consistent customer interactions are very important, not only for consumers but also for business partners. They interact with various units inside the organisation, including marketing, sales, service and support. To improve customer relationships it's critical to build partnerships and data-sharing processes among the teams that communicate the most frequently with customers, resellers and end users.

CHALLENGE #4

Switching B2B marketers focus from acquisition to retention activities

Vendors are becoming more interested in selling their products than listening to their customers' needs. B2B marketers say that their campaigns are more likely to be company-centric (focused on their company's story) than customer-centric.



2. B2B ENGAGEMENT PROGRAMMES – HOW DO THEY REALLY WORK?

Let's start with the basics and take a look at the past and present key goals for B2B loyalty programme mechanics.



PAST



PRESENT

MAIN GOAL

- Short-term improvement of selected KPI:
 - sales of defined SKU or category
 - improving shelf share
 - shortening the invoice payment term
- Better implementation of the marketing budget
- Secure long term business KPIs
- Educate and engage in brand activities

PROGRAMME'S LOGIC

- Simple goal-oriented trade programmes:
 - asking partners to perform a certain action in a defined period of time (e.g. buy a specific amount of a product category)
 - rewarding partners who met the objective
 - various monetary benefits: cashback, discount, tangible reward (ex. TV)
- Long-term-oriented holistic engagement programme:
 - continuous engagement programme with no end-date
 - constant recognition of the best programme members
 - monetary and emotional rewards
 - rewards for a mix of desired actions including purchases, sharing market data and ideas, education etc.

84%

of B2B companies do not have clear visibility into their partners' opportunity pipelines.

Source: Accenture Strategy 2016 CSO Insights Channel Sales Optimization Study.

Goals for B2B engagement and loyalty programmes, as well as the mechanics used to achieve them, significantly evolve over time.



Historically, the goal for each engagement programme in a B2B environment was focused on improving a specific KPI: sales of defined SKU or category, improving the mix of products on the invoice, improve the shelf share or visibility of products, etc. When partners performed the actions required by the trade programme, they were rewarded with a defined set of benefits. When the trade programme finished, the results were analysed in detail and the ROI of the campaign was calculated.

The main problem of this approach is that the trade programmes are decentralised, not connected with each other and designed to work only in short-term periods. They are usually performed manually, based on the extracts of data from various systems and present certain activities of business partners. This situation generates a number of issues such as abnormal activities (ex. partners build the stocks of products to win in the trade programme and then avoid ordering anything for a long time) which impacts the planning, logistics, cashflow etc. On top of that, due to the fact that trade programmes

are usually analysed individually, companies don't have good visibility on how one programme affects another, and which techniques better motivate selected partner groups. Analysis focuses only on the results of that single trade programme and not on the trade promotion activity as a whole.

Additionally, the companies selling in a B2B environment have noticed that there are much more crucial activities that they would like partners to perform, but these particular actions are not covered with any of the standard trade programme. Education of business owners, as well as shop assistants that physically face the product's end consumers, became the real key objective for producers. Making sure that business owners are familiar with the offers and promotions means higher engagement in promotional activities. Encouraging shop



assistants to learn about the products' features and advantages leads to higher sales, as they become more competent and become potential brand ambassadors (especially if we're able to efficiently transfer the knowledge about the brand values and innovations).

For some markets and industries, collecting data is very complicated, but on the other hand it allows improved market positions and more accurate business decisions. Therefore, encouraging partners to share this data directly with the producers became a very significant objective.

That's why the new motivation programmes in the B2B environment focus on two main elements:

1. CONTINUITY

- making sure that all partners understand what they need to do to stay active within a programme, and how to get the most out of it in the long term

2. NUMBER OF INTERACTION POINTS

- many more opportunities to get rewarded than just buying more products and spending more money
- helping the producer to collect more data about the end consumers, competition and partner's business
- learning more about producer's offers and values
- taking part in events or any other activity organised by the partner, that may lead to improving the producer's business, should be appreciated and rewarded



3. HOW TO IMPLEMENT A SUCCESSFUL B2B PROGRAMME



Identify the programme beneficiaries

Whether a loyalty programme is dedicated to final customers (B2C) or to business customers (B2B), one of the most crucial questions to answer is whom you want to attract with your programme. As B2B landscape is often a more complex one, and it is an especially important step in the context of B2B loyalty programmes.

It happens quite often that programme organisers want to address all of their customer segments at once and when they elaborate on programme proposition and benefits, they try to fulfill everybody's needs. We all know, if you want to satisfy everyone, you won't satisfy anyone.

Therefore, it is so important to identify which of your customers could be influenced in a positive way by the programme, and whose incentivisation could be the most beneficial for your business. The programme should not necessarily target those who are your best customers at the moment, as it might be more difficult to motivate them to buy from you or sell for you. Loyalty programmes should focus on those **with the potential to grow within your business**.

You also shouldn't focus and waste energy on the business partners that are not likely to grow. Let's consider airline business programmes. Their main target is not a small company with a few employees flying twice a year. Their main targets are international, medium and big businesses with frequently



flying employees. Only these companies can really benefit from the loyalty programme and at the same time, increase their flights frequency with the particular airline.

You may ask: can smaller business partners be a good target for my programme? Of course they can. Especially for incentive programmes. If you want to focus on educating your partners about your products/services that you develop and they resell, it is very important that even the smallest partners, regardless of the size of their business or store, are aware about the benefits and features of the products they sell.

To summarise, there is not one answer to which customer segment you should focus on, as each business is different. You need to identify which of your business customers or partners are the most valuable and could become even more valuable when being motivated and incentivised through your programme.



Define the programme objectives

A loyalty programme can definitely be a great and powerful tool to enhance your business and bring more profit to your company. However, to make it really successful it's crucial to specify and define business objectives.

When establishing the right strategy for a loyalty programme, it is essential to make sure that you know what the **strategy and business objectives** of the company and the entire business are, because loyalty programme objectives need to be integrated. Only then we can progress to successful implementation.

The same applies to running the programme. If a loyalty programme becomes one of many CRM tools, it cannot succeed. In order to become successful, involvement of multiple departments like marketing, strategy, sales, finance and operations as well as a common strategy is required.

Defined objectives will allow you to know what actions to take, and which customer group and segments to focus on in order to achieve your goals. Also, your team will avoid working within various streams, and instead concentrate on those that bring the expected results.

The most obvious objectives of B2B loyalty programmes are to **increase the business profitability and to transit business partners to become loyal to the brand**.

More and more often, companies organise loyalty programmes for their re-sellers in order to educate them about their products and services. In these cases, the main objective is **building awareness**. Thanks to this approach, they achieve higher results as a business. These programmes encourage re-sellers to promote companies products specifically, rather than endorsing products developed by the competitors.

It is important to remember to look after your current customers, rather than just concentrating on attaining new ones. A few of the customers that we have worked with put acquisition as a primary goal and became disappointed with the high churn rate. They believed that once their business partner tried their products or services, they would naturally remain loyal.





→ Take care of positive and consistent customer experience

Designing an attractive value proposition is a pre-condition to any successful loyalty programme. However, brands that launch their B2B scheme very often think that translating typical B2C mechanisms and implementing them directly into B2B environment is sufficient. Unfortunately, it is not. As B2B clients tend to have different needs and are prone to different, more sophisticated loyalty triggers.

Look at your B2B programme members as the most mature, and at the same time the most demanding members of a B2C loyalty programme. Perhaps even the members of the highest recognition tier. For them, collecting and redeeming points, or earning a cinema voucher may not be the level of reward that they expect.

Think for instance about the owners of car showrooms. If you offer them a simple set of rewards and a straight forward earn/burn scheme, they will

feel unappreciated. They may even think you don't understand the real value they create (expressed in revenue and profit). Which, in turn, will have a negative effect on their performance. Thus, they need a special, more exclusive treatment (e.g. "achieve the gold level and you will have a chance to go on a round-the-world trip as the best performer", or a "lottery in which you can win a weekend in Las Vegas with an open account for casinos"). You have to get more creative with your B2B programme.

Develop more exclusive, relational benefits that will make your clients feel special and establish a very intimate connection between them and your brand. Do that, and you are half of the way to increased loyalty.

Access to limited products, services, and events can also be a great way to recognise, engage, and reward B2B customers.



71% say customers increasingly want B2C-like experiences – faster response times and 24/7 availability – but nearly **half (49%)** say they're failing to deliver the personalized experiences their customers crave.

Source: Accenture



B2B programme operators may provide content e.g. training videos, podcasts and blog articles which are available to engage and educate customers, instead of purely rewarding them for repurchase or renewal. But remember the content must be easy to find, easy to access and about the right topics.

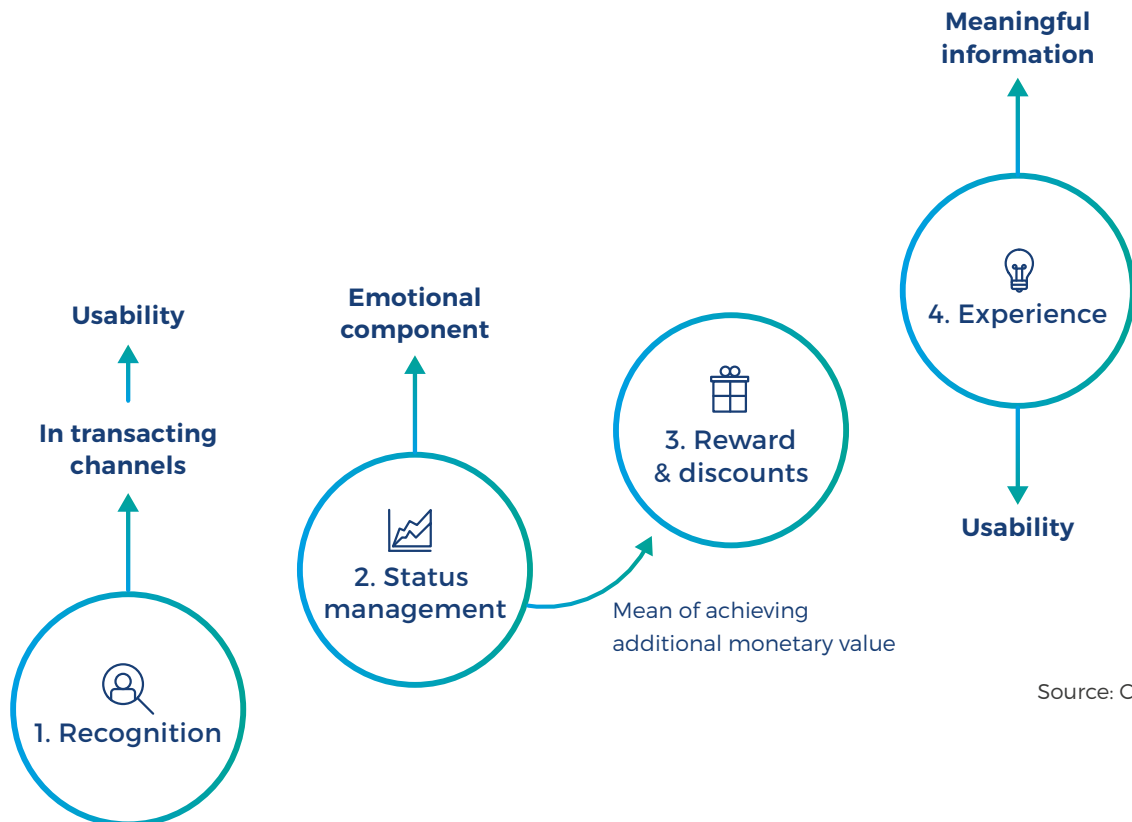
Experiential benefits like VIP lounge access at user events, early releases of new products exclusive content a dedicated customer service representative and special events provide customers with opportunities to deepen and enhance their relationship with the company and simply to feel special.

You can also leverage gamification tools in your scheme. Consider for example one of our clients a North American FMCG company, that operates in a heavily regulated market with limited possibilities to give financial incentives to its traditional and modern trade channel clients. Thanks to the newly launched loyalty scheme that extensively uses gamification elements (badges, storyboards, attractive narrative in an adventure-like style) mixed with

traditional loyalty programme tools, the company could provide its clients with emotional rewards that that could be translated into tangible benefits (e.g. an exclusive summer holiday for the whole family for the contest winner) creating a lasting relationship between the brand and its B2B clients.



Start to create employee advocacy solutions to identify brand ambassadors, who can engage with B2B customers and can reach more prospects.



Source: Comarch

4. SUCCESS STORY

An American multinational company with more than 90,000 employees worldwide was looking for a unique way to directly communicate with its retailers and wholesalers. Fully aware that those responsible for selling its products to the consumer are also selling similar products from competing brands, the company wanted to boost engagement, brand awareness and loyalty in order to increase sales over the competition.



MAIN CHALLENGES



The biggest challenge was getting the right message to the right people on the business partners side. Constant education about the offer, products and values in the form of attractive and easy to consume content was the goal.



With engagement and brand awareness being the ultimate priorities, the company wanted to give their resellers a reason to log in to the new website regularly after joining.



Additional goals were built around the promotion of the newly launched self-ordering platform and collecting the data directly from the partners without the need of sending the employee for a field visit.

SOLUTION

Comarch focused on retaining resellers by implementing a wide range of variables within the programme. The content and overall theme of the website changed on a monthly basis, with each month featuring new visuals, fresh copy and completely new games. Users are constantly presented with unique features, giving them an incentive to check the site frequently.

Being an engagement platform with gamified elements, Comarch's solution revolves around incentivising retailers to earn points that can be redeemed in a variety of ways. The main way for partners to earn points is by playing short games, created and designed entirely by Comarch, that require them to complete certain tasks within an allotted time limit to earn points. Each time a user fails to complete a game, the maximum amount of points they can earn decreases, encouraging them to be fully engaged the first time through. The maximum amount of points also decreases as each week of that particular month passes, which again urges users to log in regularly.

Partners can find relevant facts on the company's different brands and products throughout the website before being quizzed on that same information – increasing brand awareness while still giving the incentive to earn points.

Staying in line with the goal of having members log in regularly, Comarch made the redemption



process just as unique as the rest of the solution. Resellers can redeem their points for prizes in three different ways: prize catalogue, auctions and leaderboard ranking.

Users can only bid on any given auction with the points they earned during that particular month, eliminating the possibility of longtime members having an advantage over newcomers simply because they have been participating longer and have compiled more points.

All are created equal: new site members are immediately given the same opportunities and privileges of those that have already been involved for months.

Instead of redeeming their points in the prize catalogue or auctions, users can also opt to save what they've earned and compete for the leaderboard prize. Regularly, a multi-month period is designated for the leaderboard challenge and users compete against one another in attempt to compile the most points during that particular period.

RESULTS

The main concern for the company was getting its partners to visit the website regularly in order to increase engagement and brand awareness over the competition, and Comarch's engagement platform certainly helped the company achieve its goals.

Starting at just 12.2 in the first month, average number of log-ins per user has steadily increased, rising to a total of 16.4 just one year after launch. And after one year, each user spent an average of over eight minutes per week on the engagement website.

A year after the website launched, an average of **98%** of active users had completed at least one task (game, quiz or survey) per month. Furthermore, **77%** of active users had completed more than five tasks each month.

SUMMARY

B2B loyalty can work successfully but requires thorough recuperation. The key to run an effective B2B programme is to identify and face challenges, recognise the right target group and establish measurable and accurate business goals.

Secondly, use the best practices and experiences from B2C loyalty schemes to provide customers with meaningful value to make them feel valued. B2B customers are acting more often like consumers and in order to meet their needs you need to review and evolve every aspect of B2B strategies, programmes, from branding to lead generation and post-sale engagement. A B2B buyer wants the same level of highly personalised service as they get in B2C channels.

B2B loyalty programmes are not for all industries. Their impact is limited to the industries and markets where their strengths can be successfully leveraged. While working with our clients we have learned that, although a B2B loyalty programme may have a positive effect in virtually any industry, implementing and operating a B2B loyalty programme proves to be the most effective for businesses experiencing one of the three types of downstream value chain

environments: over-regulated environment, highly liberalised environment or competition-driven environment.

Remember, CX can be your key differentiator among other market players. Nowadays, providing a positive customer experience in the entire sales lifecycle is a must. 90% of B2B leaders believe CX is crucial to their companies' strategic priorities (source: Accenture). Digital transformation plays an essential role in building the CX capabilities that are needed to drive relevant interactions.

Finally, it's crucial to find a reliable vendor of tried and tested loyalty and engagement platforms that can help to automate your B2B marketing activities and build a creative and effective programme concept. Comarch has extensive, multi-industry experience and a great understanding of B2B & B2C loyalty ecosystems that allow us to offer end-to-end technology solutions and business expertise services.



COMARCH

ABOUT COMARCH

Founded in 1993, Comarch is a global manufacturer and supplier of IT solutions, and has been listed on the Warsaw Stock Exchange since 1999. Comarch carries out projects for leading global brands in important sectors including telecommunications, finance, banking, insurance, trade and services, infrastructure, public administration, industry, health care and small and medium-sized enterprises. Thousands of global brands in over 60 countries on 6 continents have used Comarch services, including: London Heathrow Airport, Thomas Cook Group Plc, BP, Telefónica, Carrefour, Heineken, Goodyear, Pepsi, Vodafone, T-Mobile, E-Plus, KPN or MTS, BNP Paribas Fortis, Allianz, Aviva, AXA, BZ WBK (Santander Group), CitiFinancial (Citigroup), Delta Lloyd Life, Deutsche Bank PBC and ING Insurance.

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