A DATA DRIVEN APPROACH TO IMPROVE CUSTOMER ENGAGEMENT

Unlocking a 15%+ growth opportunity

MARCH 2021

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Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

About Capillary

Capillary Technologies partners with leading retailers, brands and consumer facing companies by providing technology driven solutions for loyalty management, CRM and omnichannel customer engagement through a cloud based B2B SaaS (Software as a Service) platform powered by AI. Founded in 2008, Capillary Technologies has been featured by Harvard Business Review as a pioneer in ‘reverse innovation’.

Capillary works with over 400 merchants, including Fortune 500 enterprises to solve their key challenges around capturing consumer data to drive better engagement and advocacy. Capillary’s platform powers 100+ loyalty programs and supports 500+ million customers and over 120,000 stores across 30 countries. Capillary has local teams based out of South East Asia, China, USA, the Middle East and India. Capillary’s strategic investors include Warburg Pincus, Sequoia Capital, American Express Ventures, Avataar Capital and Qualcomm Ventures.

About the report

A pressing question for marketing and digital leaders today is how to ensure a rewarding customer experience across multiple touch points by effectively utilizing data. While capturing customer data is only a part of the solution, organizations need to improve their maturity on Data Led Customer Engagement (DLCE) to build strategic data use cases that demonstrate value to customers. In doing so, they must overcome notable challenges, and there is no single guidance or universally accepted approach to help them.

This report aims to address this key unmet need with the introduction of the Stop Hold Purchase (SHoP) framework. SHoP enables assessment of DLCE maturity of organizations across seven key dimensions. Cross sectoral SHoP benchmarks were compiled from an extensive survey of over 100 companies across 5 industries and 13 countries. The results highlighted the key opportunities and gaps across the different customer engagement dimensions which can help unlock 15%+ topline impact.

This report employs these observations to help synthesize top priorities for marketing and digital leaders to advance DLCE maturity, with special focus on creating a roadmap to achieve the optimal end state in the relatively unevolved Loyalty dimension. Also, the introduction of a scientific methodology for determining Loyalty Delivered Sales (LDS) enables assesment of the true business impact delivered by a loyalty program. These findings, if holistically embedded, will help organizations steer their customer engagement strategy in the right direction, setting themselves apart going forward.

CONTENTS

Businesses face multiple challenges in keeping modern consumers engaged

Lack of 'newness'

Brands may lose relevance to customers over time, as fresh emerging brands compete and match evolving customer interests

Customers wouldn't notice if **3/4** of brands globally ceased to exist

Decision fatigue

Customers fatigued by growth of options, causing inability to find appropriate products and making shopping painful and time-consuming

~70% of customers would switch to a competitor with an easier process to find and select the desired product

Easily distracted

Customers shop once, but lose interest or brand fades from memory and are no longer top of mind

8 seconds is the average attention span of a modern customer

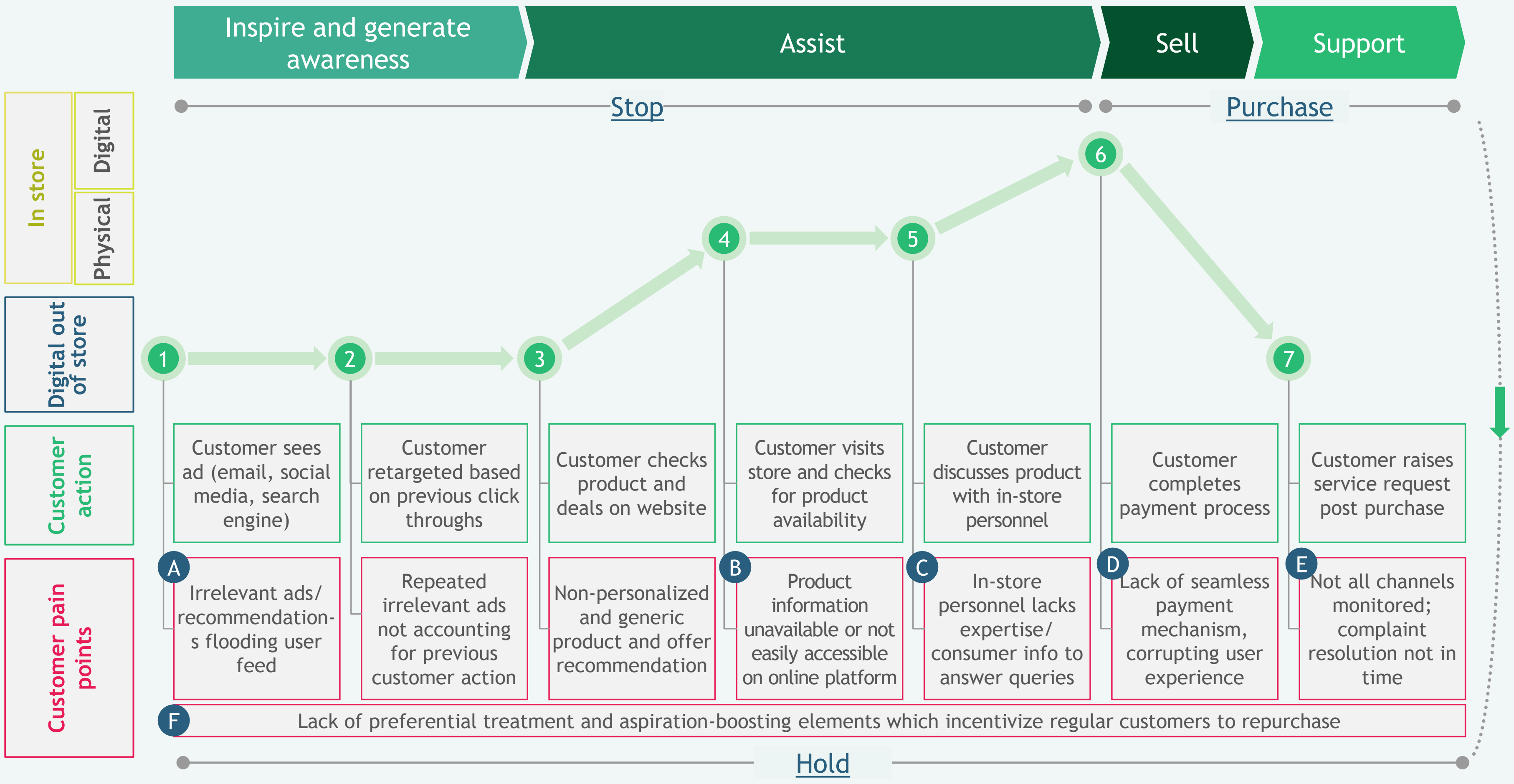
Managing the spam

Customers unsubscribe from emails due to frequent spam from irrelevant emails, with brands no longer top of mind

43% customers unsubscribe from a marketing mailing list when they find information irrelevant

Source: BCG Analysis

These challenges manifest across all touchpoints of the consumer journey



Customers ...

- A — 52% likely to switch brands if communications not personalized
- B — >50% feel comparing prices and similar products important before purchasing a product
- C — 76% prefer a salesperson focused on understanding their needs instead of making a quick sale
- D — 74% Likely to switch to another brand if an easy checkout process is not available
- E — 64% expect companies to respond in real-time
- F — 48% expect specialized treatment for being a repeat customer

… making it necessary to capture and leverage consumer data throughout their journey

Source: BCG Analysis

Data is the answer for positive journeys, but customers have low trust and willingness to share data

Only **29%** of consumers agree that handing over their data resulted in better products or services

64% customers blame companies over anyone else, including a hacker, if a company loses personal information/data

75% customers now limit the amount of personal information they share online

Source : eMarketer; RSA "Data Privacy and Security Survey 2019" on 6,387 adults in FR, UK, DE and US in Dec. 2018 and in 2017

Companies need to build strategic data use-cases to demonstrate value to customers

Continue to inspire with personalized content

Employ a robust data-driven approach to serve personalized content and show comprehensive understanding of customers

Help them navigate towards most relevant content

Help customers quickly find what they are looking for, adapt to their behavior, and facilitate seamless purchase pathways

Craft on-boarding journeys for loyalty

Design customer onboarding journeys to both understand the most about the customer, and incentivize repeat transactions

Minimize the spam

Ensure personalized frequency or ability to select less frequent communication instead of simple unsubscribe option

This whitepaper focuses on creating a go-to toolkit for leaders to drive Data Led Customer Engagement

Detailed 3-step approach

1 SHoP framework to measure and drive DLCE maturity

- For solving the most pressing questions of CMOs, Stop Hold Purchase (SHoP) framework was conceptualized for assessing maturity of organizations in Data Led Customer Engagement (DLCE)
- We observed that companies span across 4 tiers based on DLCE maturity

2 Comprehensive benchmarking of 100+ companies on SHoP

- Extensive survey of 100+ firms across 5 industries spanning 13 countries
- DLCE diagnostic performed across 7 SHoP dimensions and 40+ activators
- Robust cross-sectoral benchmarks established to understand key opportunities and gaps across dimensions

3 Synthesizing top priorities for CMOs to advance maturity

- Key differentiators laid out between leaders and laggards on SHoP dimensions
- In-depth analysis of success factors and enablers critical for building capabilities with Part 1 Deep Dive covering details of the Engagement and Loyalty dimension

Stop, Hold, Purchase (SHoP) framework: 7 key dimensions and 40+ activators of Data led Customer Engagement

Excellence in Data Led Customer Engagement

Product, Pricing, Offers

Customer facing Capabilities

1 Data-driven Marketing (Stop)
- Holistic data
- Audience definition
- Targeting techniques
- Content dev. and delivery
- Testing and feedback mechanisms

2 Engagement and Loyalty (Hold)
- Simple
- Functionalities
- Flexible
- Differentiated engagement
- Experiential

3 Commerce (Purchase)
- Multi-channel selling
- Frictionless purchase process
- Functionalities
- Customer feedback

Business model
- Insource vs outsource
- Data ownership
- Leveraging assets
- Strategic partnerships

Enablers

4 Personalization and Analytics
- Use cases
- Capabilities
- Test / iterate
- Dynamic treatment
- Micro segment size
- Event based trigger
- Level of automation

5 Data and BI
- Multi-source data feeds
- MIS report
- Data lake / warehouse
- Single 360-degree view
- Event capture/trigger
- Self-service analytics

6 Tech stack
- Open Architecture
- Automation tools
- Customization
- Security

7 Ways of working
- Org structure
- Cross-functional
- Agile and flexible
- Training and certification
- Governance and control
- Turnaround Time
- Data in decision-making

Refer to Appendix for more details about individual dimensions and corresponding activators

Companies span across four tiers based on their SHoP maturity

Typical profile, not comprehensive

Pioneer

Holistic view of customers from real-time data integration; Dynamic hyper-personalization using AI/ML models; Highly flexible and feature-rich loyalty program rewarding behavioral events and social interactions; Seamless omnichannel journey with one-click checkout

Progressive

Data feeds from multiple sources integrated daily and employed for content development/delivery; Targeting of smaller customer segments using statistical models; Multi-tier and gamified coalition partner-led loyalty program; Frictionless movement across channels

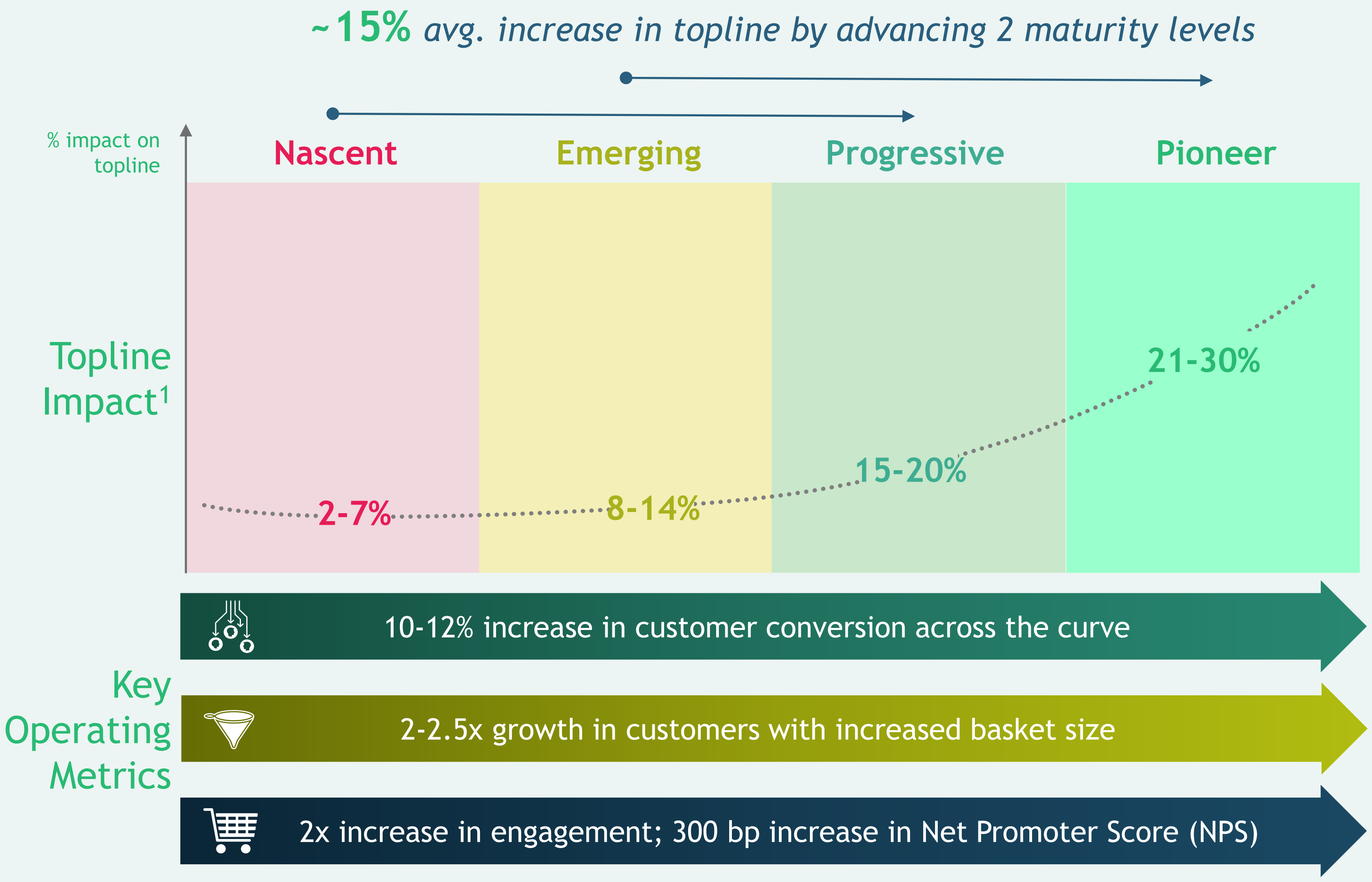
Emerging

Multiple internal and external fragmented data sources leveraged for marketing and rule-based targeting of large and static customer segments; Brand-owned tiered multi-channel loyalty program with partnerships for redemption flexibility; Partially-integrated sales channels

Nascent

Limited leveraging of customer data for engagement using a one-size-fits-all approach that drives static communication content with no personalization; Rudimentary brand-owned single-tier loyalty program; Standalone sales channel

25-30% incremental topline potential for companies by advancing DLCE maturity



1. Impact driven by elements of SHoP framework such as DDM, Loyalty, Commerce, Personalization etc.
Source: BCG-Google Data driven Marketing Assessment, 2017; Google-BCG Personalization in Retail Consumer Survey, December 2018, Rep Phase; total N=1025; Based on Apparel client benchmarking by Capillary Technologies; BCG analysis

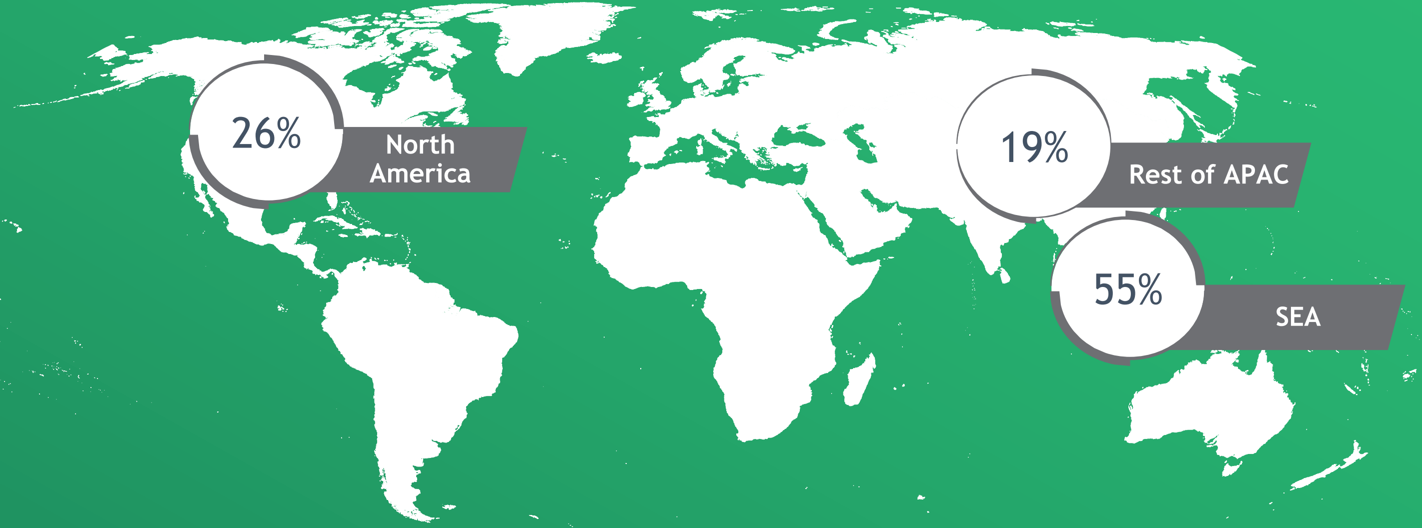
N = 113

Starting Point: 100+ companies across 5 industries participated in the global SHoP maturity assessment survey

Industry[1]

Retail	40%
CPG	18%
BFSI	17%
T&L	11%
Telco	14%

Region[2]



Firm Size[3]
(in USD)

$100 Mn - $1 Bn	$1 Bn - $5 Bn	> $5 Bn
27%	27%	46%

Job Role

CMO	CDO	CMO-1	CDO-1
42%	23%	25%	10%

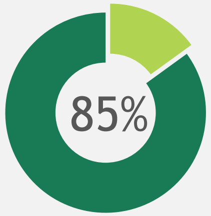
Decision Making Areas

Data-driven Marketing	CRM and Loyalty	Commerce
76%	87%	51%

1. CPG - Consumer Packaged Goods, BFSI - Banking, Financial Services and Insurance, T&L - Travel and Leisure, Telco - Telecommunications
2. Responses collected from: SEA - Singapore, Malaysia, Indonesia, Philippines, Vietnam and Thailand; Rest of APAC - India, Greater China, Japan, Australia and New Zealand; NAMR - United States and Canada;
3. Responses collected primarily from firms with annual turnover from regional operations > $100 Mn USD.

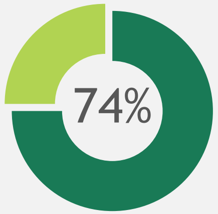
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113

~75% of companies acknowledged that data is the most important lever to drive growth and efficiency…



Drive Growth

via data driven marketing, sales program, building new products



Drive efficiency

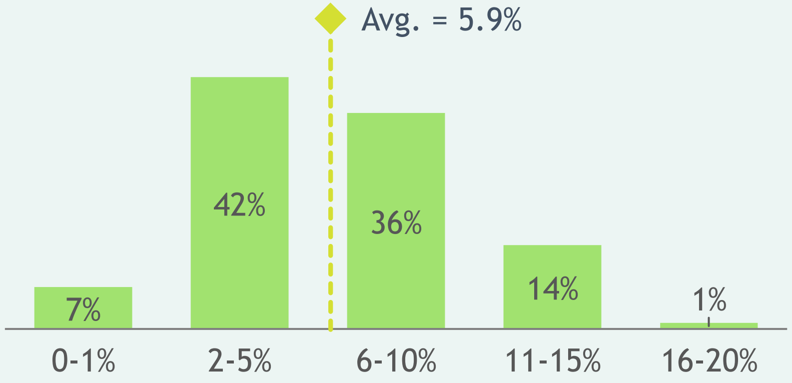
via store operations optimization, supply chain management etc.

Firms recognize the potential of DLCE to advance their business agenda

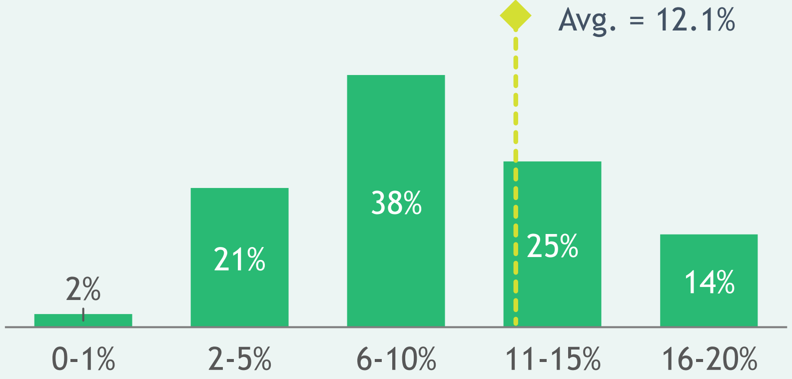
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

… and self-acknowledged **5-6%** additional topline potential with better DLCE maturity

What level of annual incremental revenue has your company achieved from DLCE?



What level of annual incremental revenue can be achieved in your company from DLCE running at full potential?



~95% of companies have started their DLCE maturity journey

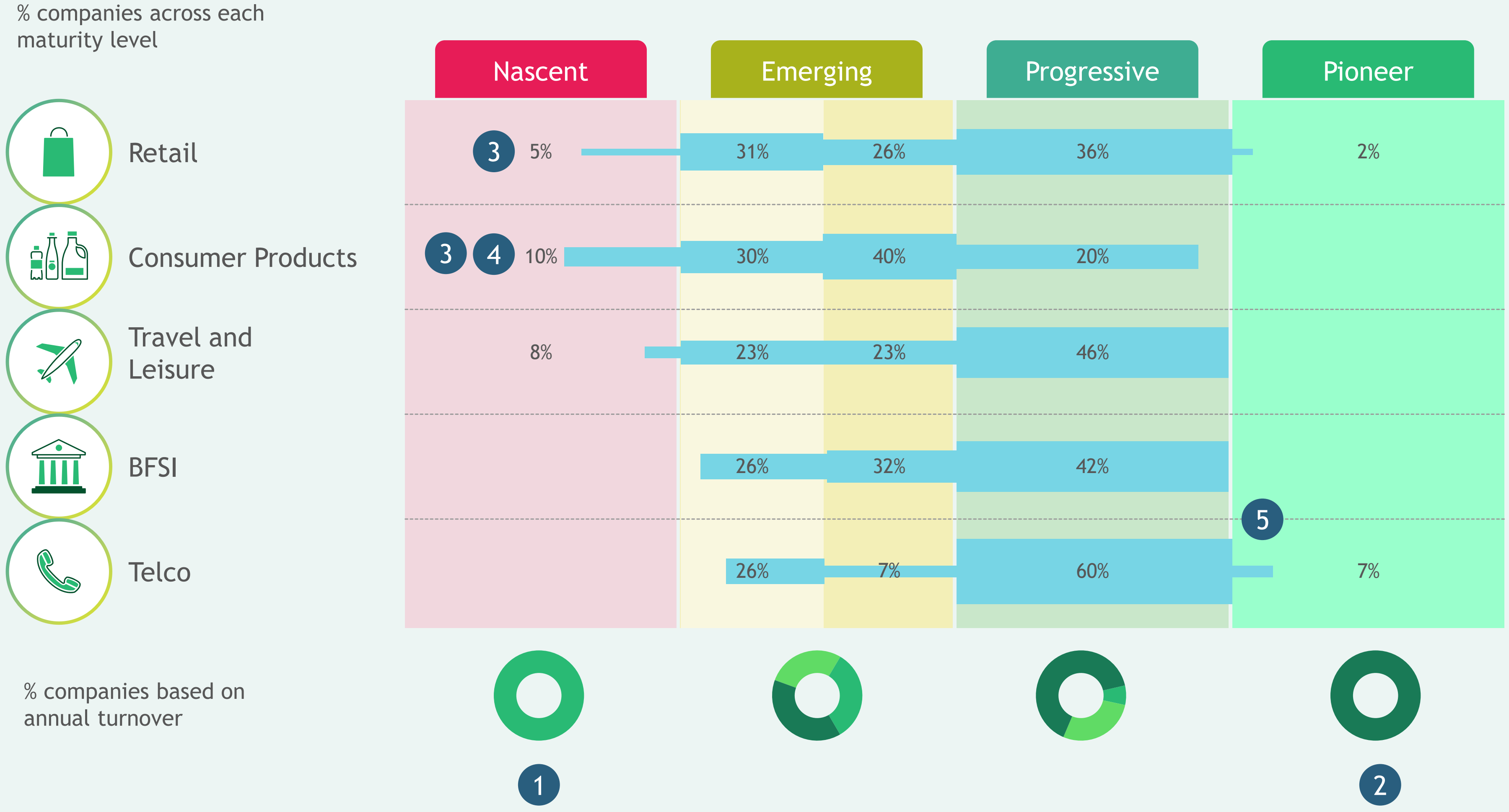
However, >50% companies stuck in Emerging maturity tier with only 2% reaching the Pioneer tier

Nascent	Emerging	Progressive	Pioneer
6%	54%	38%	2%

1. Maturity tier assignment by assessing DLCE capabilities across 7 dimensions of SHoP framework

Source: SHoP DLCE Maturity Assessment Survey 2021; n=113

Among industries, Telco reveals higher maturity with ~70% companies Progressive and above; Retail & CPG have a wide spectrum which varies based on firm size



1. All Nascent companies are relatively smaller with annual turnover < $1 Bn
2. All Pioneer companies are relatively large with annual turnover > $5 Bn
3. Retail and CPG exhibit higher variance in maturity vis-à-vis company size vs other industries
4. Lowest levels of DLCE maturity seen in CPG firms since traditionally they don't have direct access to customer data
5. Telco & BFSI more evolved owing to business requirements e.g., know your customer (KYC) – enabling better data capture

Key - Annual turnover (in USD)
< $1 Bn $1Bn - $5 Bn   > $5 Bn

Note: Ends of blue ribbon denote the lowest and highest maturity score for the dimension
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

Significant variation in maturity level of companies evidenced across SHoP dimensions

% companies across each maturity level

	Nascent	Emerging	Progressive	Pioneer
Data-driven marketing	8%	36%	29%	27%
Engagement and Loyalty	14%	65%	20%	1%
Commerce	3%	69%	26%	2%
Personalization and Analytics	12%	28%	32%	28%
Data and BI	4%	43%	28%	25%
Tech stack	2%	45%	27%	26%
Ways of working	2%	44%	36%	18%

Source: SHoP DLCE Maturity Assessment Survey 2021; n=113

Important to understand what differentiates companies with leading maturities

Most firms establish **good data collection & feedback mechanisms**, but leaders truly unlock **data-led opportunities** (e.g., **personalization**)

Difference in maturity scores

Maturity range on activators — DDM laggards[1] — DDM leaders[1]

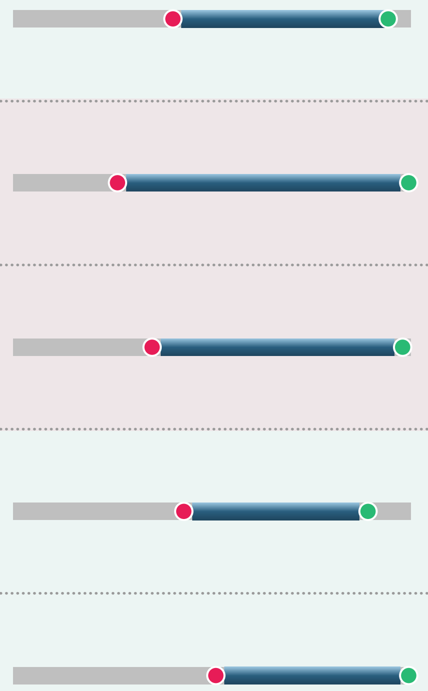
Holistic data
Capturing 1st, 2nd and 3rd party data for creating comprehensive customer view

Audience definition
Sophisticated techniques for defining customer segments

Targeting techniques
Channel selection and media purchase strategy for precise targeting

Content dev. and delivery
Personalized message tailoring and delivery mechanism

Testing and feedback mech.
Media effectiveness and testing for optimizing marketing activities



1. Laggards and leaders - Responses with dimension score falling below 10th and 90th percentile respectively
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

94% companies enrich in-house customer data using external data

and **>80%** use channel effectiveness reports as a feedback mechanism regularly in media buying decisions

But only…

25% companies buy media programmatically across all channels

while **~20%** companies personalize both channel and timing of communication

"Decisions for where the dollars go are not analytically driven"

- CMO, mid-sized Retail firm, NAMR

Loyalty is a **stage wise journey** for the companies - what differentiates the leading programs are elements that **build aspiration for customers**

Difference in maturity scores

Maturity range on activators | Loyalty laggards[1] | Loyalty leaders[1]

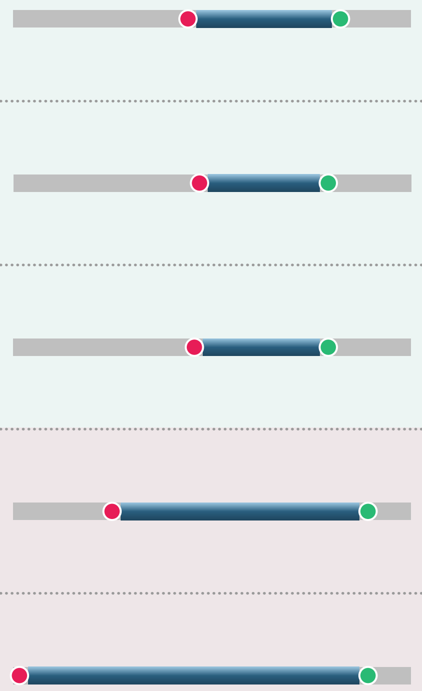
Simple
Seamless onboarding process for loyalty program

Functionalities
Platform feature depth with dynamic reward accretion

Flexible
Flexibility in earn/burn across partner member network

Differentiated engagement
Customer tierization with personalized rewards

Experiential
Integration of gamification elements into loyalty strategy



1. Laggards and leaders - Responses with dimension score falling below 10th and 90th percentile respectively
Source: SHoP DLCE Maturity Assessment Survey 2021; n= 101 (companies with a loyalty program); BCG Analysis

~95% of companies use a multi-channel onboarding approach

with 60% employing a process which can enroll customers within 5 mins

But only...

10% adopt gamification as a core element of their loyalty programs

and only ~12% dynamically segment customers & map relevant offers

> "We would like to gamify our apps to keep our members engaged and entertained by our services."
>
> \- CMO, mid-sized T&L player, India

Adopting **social commerce** with a **frictionless transaction process** is a key characteristic of leading maturity in Commerce

Difference in maturity scores

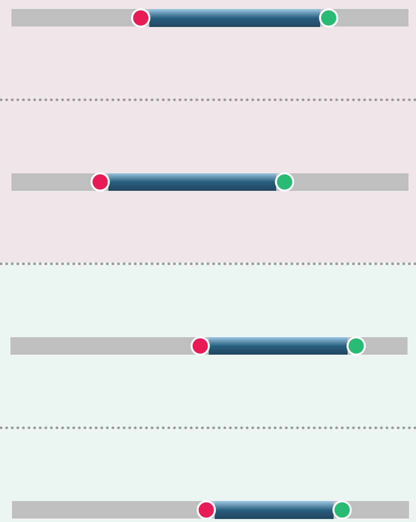
Maturity range on activators | Commerce laggards[1] | Commerce leaders[1]

Multi-channel selling
Presence and degree of integration across multiple sales channels

Frictionless purchase process
Seamless customer payment journey

Functionalities
Feature richness and depth of commerce platform across channels

Customer feedback
Service channels, response time and feedback incorporation



1. Laggards and leaders - Responses with dimension score falling below 10th and 90th percentile respectively
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

64% of companies' sales come from conventional channels such as physical store, mobile/web apps, marketplaces

70% collect feedback from customers from more than 1 channel

But only…

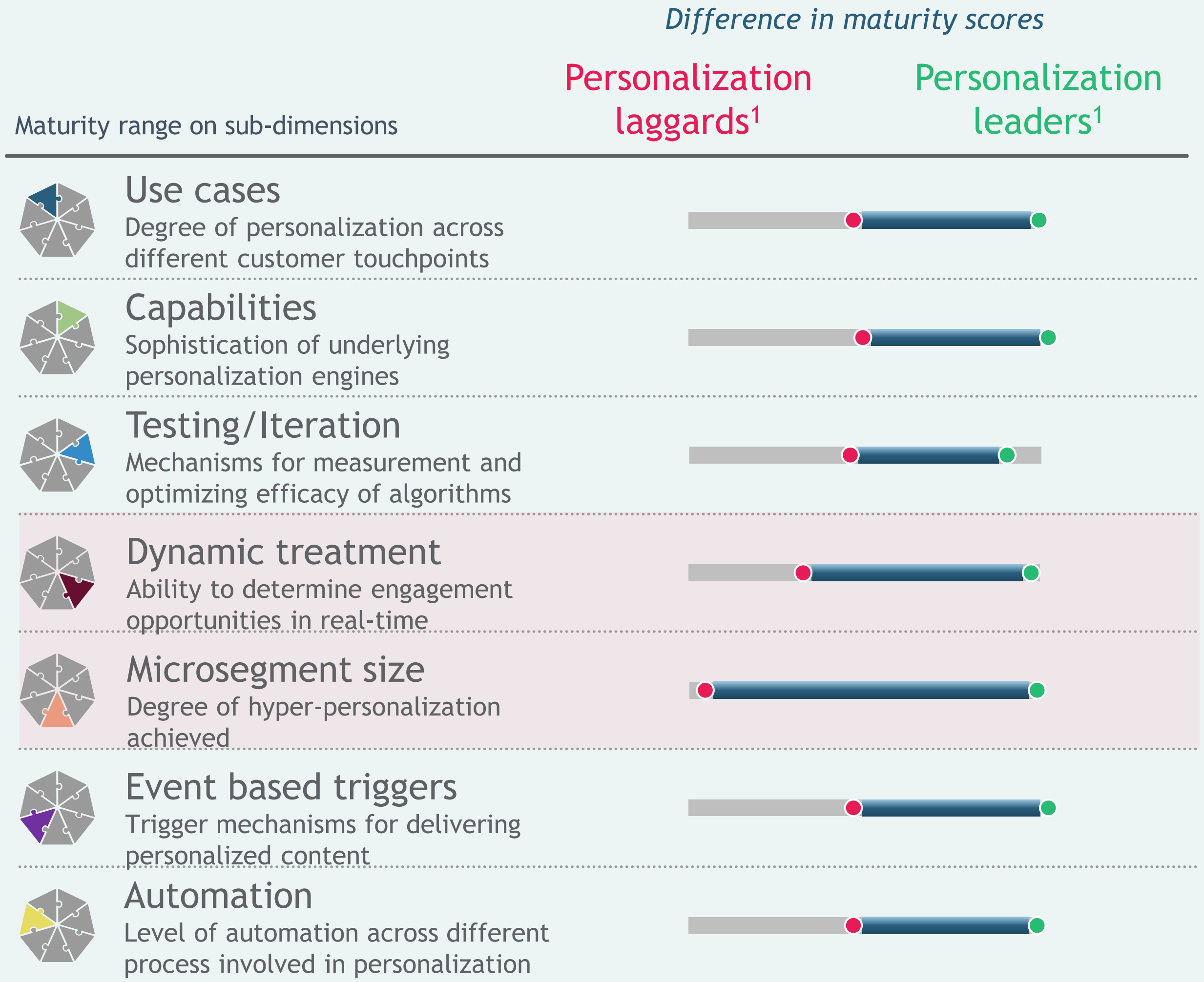
<12% sales generated from social commerce channels

<20% of companies operate a process where transactions are completed in <3 steps

"Consumers expect an easy transaction procedure – we are working hard to move towards a single-click process"

\- CMO, mid-sized Telco player, SEA

While basic personalization is employed across use-cases by most companies, leaders automate personalization with AI/ML e.g., **dynamic micro-segmentation**



1. Laggards and leaders - Responses with dimension score falling below 10th and 90th percentile respectively
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

>80% companies send out personalized communication with product/offer recommendations

But only...

14% able to achieve micro segmentation of customers

with **~20%** using real time data

while only **37%** employ deep learning and AI-based models in the backend

"We face problems in need-based customer segregation and creating personalized messages that stimulate action."

– CDO-1, large T&L player, GRC

While most firms tap into multiple data sources, leaders enable **high-frequency integration and analysis** which drives key business decisions

Difference in maturity scores

Maturity range on sub-dimensions — Data and BI laggards[1] — Data and BI leaders[1]

Multi source data feed
Internal and external data used for gathering customer insights

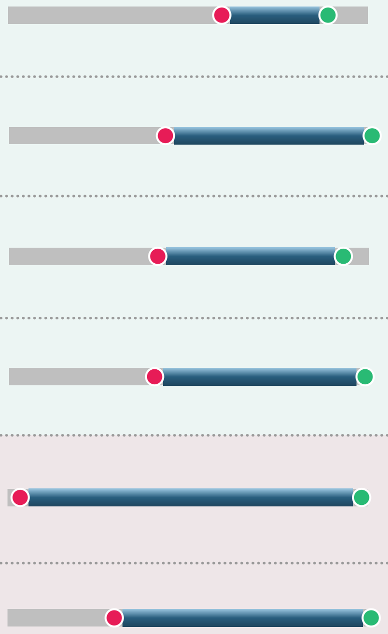
MIS report
MIS functionalities and frequency of usage in key business decisions

Data lake/warehouse
Storage architecture for different data formats

360° view
Availability and ease of use of holistic customer data view

Event capture/trigger
Integration frequency of multiple data feeds

Self servicing analytics
Organizational delivery mechanism of data analysis results and reports



1. Laggards and leaders - Responses with dimension score falling below 10th and 90th percentile respectively
Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

88% of companies use at least 2 data feeds each from internal and external sources

with **~50%** collecting both structured and unstructured data

But only...

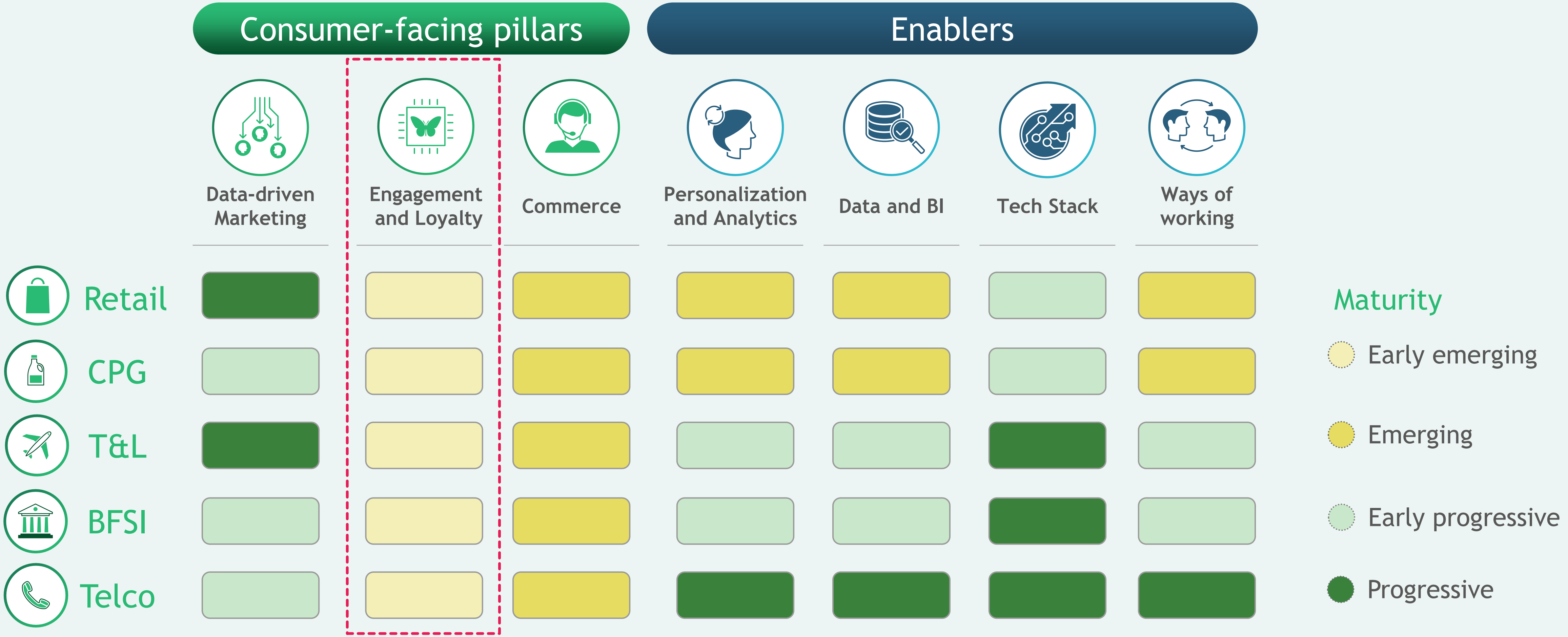
20% of firms carry out data integration on a daily basis

and just **40%** have integrated analytics teams across functions

> "We have a lot of data points **fragmented across tables**, but no clear customer data strategy or a **Data Science** team in place"
> – CDO, small Retail player, SEA

Deep Dive - Loyalty

Across industries, Loyalty is relatively the least evolved dimension



Loyalty is a key opportunity for CMOs to unlock given low maturity today vis-à-vis other dimensions

This whitepaper further examines Loyalty in depth

Source: SHoP DLCE Maturity Assessment Survey 2021; n=113; BCG Analysis

3 pressing questions before CMOs to unlock loyalty opportunity

What does a successful loyalty program look like?

What is the roadmap to setup/level-up loyalty at my company?

How to measure the financial impact it delivers?

What does a successful loyalty program look like?

Successful loyalty programs pull levers across five dimensions …

Simple

Frictionless onboarding of members

Seamless enrolment
Multichannel onboarding with minimal registration time

Instant account activation
Instant access to all features post enrolment

Functionalities

Depth of platform features enhancing customer experience

Feature richness
Rich feature depth with user events-based rewards

Reward expiry terms
Existence of expiry timeline for collected rewards

Flexibility

Wide array of options for point accretion and redemption

Partner ecosystem
Multiple avenues for redemption of rewards

Redemption flexibility
Flexibility in redemption: part-cash and part-points payment, point top-up etc.

Differentiated Engagement

Offerings tailored based on customer profile

Customer tiers
Multi-tiered program with different rewards for each tier

Personalized rewards
Reward offerings personalized to members

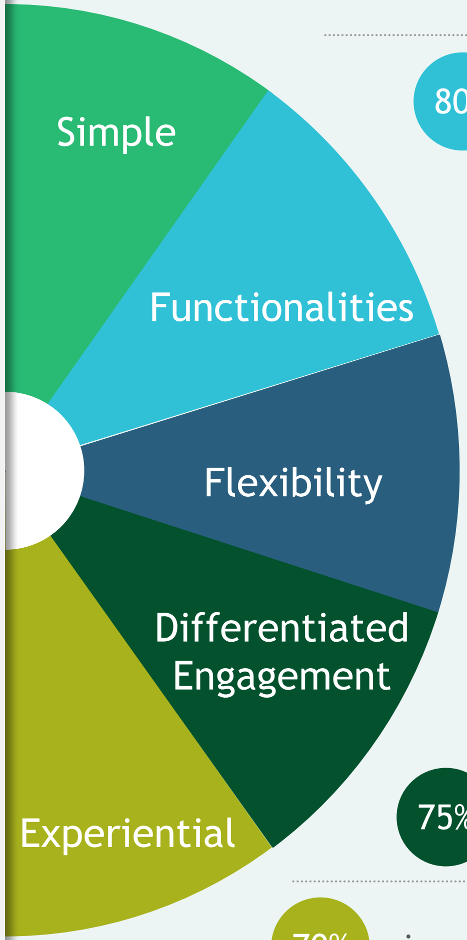
Experiential

Trigger desired customer behavior via gamified elements

Gamification strategy
Adoption of gamification as core part of loyalty strategy

Gamification elements
Multiple levers for gamification - transactions, referrals, games etc.

…to drive customer delight and tangible impact



30% increase in enrolment rate by deploying mobile app alongside web & offline channels

80% of consumers get excited by finding new ways to earn points

70% of companies have platforms with advanced features (point grouping, sharing, cross border redemption) on top of basic features (e.g., points, coupons etc.)

57% of companies reward members based on non-transactional interactions (e.g., personal event, login) in addition to transactional events (e.g., purchase)

59% of members prefer a coalition/multi-partner program model with flexibility of earn and burn across partner members

69% of loyalty program customers find special treatment important e.g., birthday discounts etc.

75% increase in member spending with tailored offers

70% increase in customer engagement levels when gamification is built into loyalty program

Source: SHoP DLCE Maturity Assessment Survey 2021; n= 101 (companies with a loyalty program); BCG Analysis

Key factors influencing loyalty-driven revenue vary across industries – CMOs need to adopt a tailored approach while creating loyalty program roadmaps

Top drivers of member revenue

	Rank 1	Rank 2	Rank 3	Rank 4
Retail	Customer tiers	Reward expiry terms	Feature richness	Gamification strategy
CPG	Point redemption modes	Reward expiry terms	Customer tiers	Feature richness
T&L	Partner ecosystem	Personalized rewards	Reward expiry terms	Feature richness
BFSI	Partner ecosystem	Feature richness	Redemption flexibility	Customer tiers
Telco	Customer tiers	Gamification elements	Feature richness	Instant account activation

Simple | Functionalities | Flexibility | Differentiated Engagement | Experiential

Source: Source: SHoP DLCE Maturity Assessment Survey 2021; n= 101 (companies with a loyalty program); BCG Analysis

What is the roadmap to setup a loyalty program?

Advancing loyalty maturity is a stage-wise journey requiring intervention at each step

Loyalty maturity journey

Loyalty lever	Nascent	Emerging	Progressive	Pioneer
Simple	Introduce loyalty to consumers	Drive rapid enrolment and kickstart redemption		
Functionalities				
Flexible			Weave rewarding customer journey with a personalized and flexible program	
Differentiated Engagement				Unlock true customer aspiration and brand advocacy to drive divergence
Experiential				
Operating KPIs to track		Member acquisition rate	Reward redemption ratio; Repurchase ratio	Divergence ratio[1]; Net Promoter Score
Financial KPIs to track	Need for an objective approach to **quantify financial impact of a loyalty program** across maturity stages			

1. Divergence ratio – Factor by which sales multiply for a group of redeemers when compared to a similar non-redeemer set observed over a time period

How to determine the financial impact delivered by a loyalty program?

Introducing a unique LDS approach

Scientific method to measure true Loyalty Delivered Sales (LDS)

Study based LDS benchmarks for 7 different elements of loyalty programs

Scientific method for measuring true loyalty delivered sales

Robust approach designed through an in-depth study of 100+ programs from 5 industries and 20+ countries

A multivariate statistical method baselines customer behavior

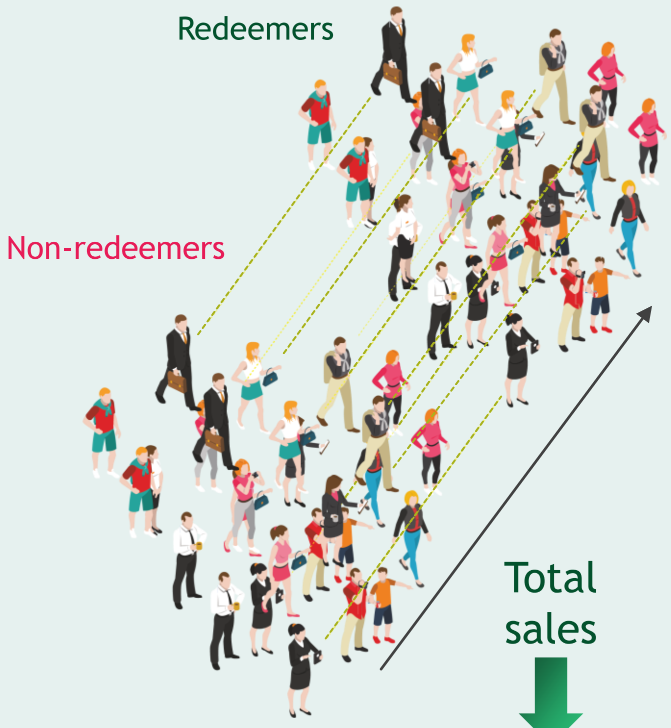
Two statistically similar groups of **redeemers and lookalike non-redeemers** (customers who are yet to make their first redemption) were identified from loyalty programs based on similarity of behavioral and purchase patterns.

This was achieved by using ***k-nearest neighbor*** supervised ML algorithm.

Loyalty Delivered Sales (LDS) is the difference in sales between the two groups. When measured as a % of total sales (LDS%), it quantifies the financial impact of loyalty program

Parameters for comparison

- Total average visit
- Average spend per visit
- Average discount percent per customer



2X

In successful programs, redeemers spend 2X higher than lookalike non-redeeming members

Source: LDS framework – Loyalty Driven Sales framework developed by Capillary Technologies

LDS benchmarks for different elements of program established through extensive studies

Elements of Loyalty Programs		LDS% Benchmark
Base Loyalty	Single-tier program with basic earn burn	1-2%
Personalized Loyalty	Engaging customers with personalized campaigns and offers	0.5-3%
Tier Loyalty	Differential benefits based on customer spend capacity	0.5-1%
Social Loyalty	Listening to customers on social media and engaging with them	0.5-3%
Digital Loyalty	Creating Omni-Channel experiences for the customers	1-4%
Dynamic Loyalty	DVS vouchers and lifecycles	1-4%
Partner Loyalty	Coalition and partner programs	1-3%

ADOPTION LEVERS

- Loyalty Conversion
- Generosity
- Promotion%

INTRINSIC LEVERS

- People
- Budget

Source: LDS framework – Loyalty Driven Sales framework developed by Capillary Technologies; Capillary Analysis

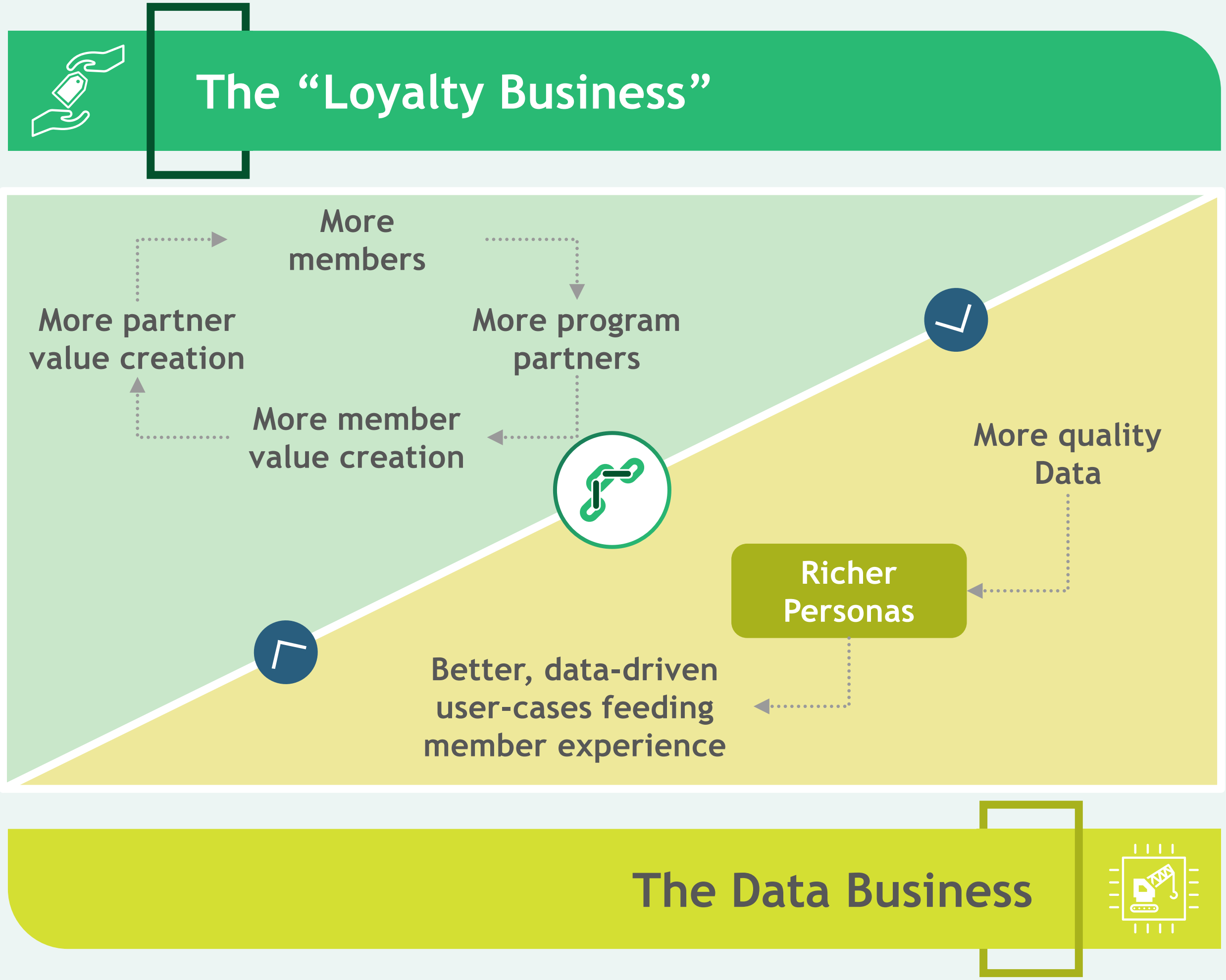
2-20% topline potential for organizations by advancing loyalty maturity

Driven by customer behavioral and transactional divergence

Nascent	Emerging	Progressive	Pioneer
Introduce loyalty to consumers	Drive rapid enrolment and kickstart redemption	Weave rewarding customer journey with a personalized and flexible program	Unlock true customer aspiration and brand advocacy to drive divergence
2-5%	6-9%	10-15%	16-20%

Source: LDS framework – Loyalty Driven Sales framework developed by Capillary Technologies; Capillary Analysis

Loyalty is not just about rewarding customers, it's a strategic imperative for any data-oriented company



Truly identify high potential customers that need to be nurtured

Up-to-date personas basis consumer behavior can enable real-time intervention and personalization

Additional data can act as fuel for creating new use-cases or go-to-market initiatives

5. SUMMARY

- Significant top line potential for leaders in driving Data Led Customer Engagement (DLCE). Advancing maturity will typically lead to 15%+ topline impact for consumer facing companies.
- Most companies have started their DLCE maturity journey. However, >50% companies stuck in Emerging maturity tier with only 2% Pioneers
- **Telco** is most advanced on DLCE maturity with ~70% companies Progressive and above. Retail and CPG showcase wide variation driven by the size of the company.
- Out of the SHoP dimensions, Data-driven Marketing emerges as the most evolved dimension – loyalty relatively the least evolved for companies
- While 90% of firms have already adopted loyalty programs, majority still in early maturity stages with ~80% in either Nascent or Emerging
- Driving success in Loyalty requires a stage wise approach for companies – and each stage targets different levers and drives different KPIs for the business
- Done right, customer behavioral and transactional divergence driven by loyalty programs can result in a topline potential of up to 20%

FOR FURTHER READING

Boston Consulting Group publishes reports, articles and books on related topics that may be of interest to senior executives. Recent examples include those listed here.

The Next Level of Personalization in Retail

A report by Boston Consulting Group in association with Google, June 2019

Mastering Digital Marketing Maturity

A report by Boston Consulting Group in association with Google, Feb 2018

Capillary Technologies publishes guides, reports on the latest insights on customer loyalty and engagement. Recent examples include those listed here.

Customer loyalty 2020 and beyond

A whitepaper by Capillary Technologies, Jun 2020

Acing the CEM experiment

A handbook on 40 Customer Engagement Management (CEM) learnings from leading brands by Capillary Technologies, Dec 2018

NOTE TO THE READERS

ABOUT THE AUTHORS

Shiv Choudhury is a Managing Director and Partner in the Singapore office of the Boston Consulting Group. **Vikash Jain** is a Managing Director and Partner in the New Delhi office of the Boston Consulting Group. **Shaleen Sinha** is the Director, India Growth Tech, based out of the Mumbai office of the Boston Consulting Group.

Aneesh Reddy is the Co-founder and Chief Executive Officer at Capillary Technologies.

FOR FURTHER DETAILS, CONTACT

Shiv Choudhury
Managing Director and Partner
BCG
choudhury.shiv@bcg.com

Aneesh Reddy
Co-founder and CEO
Capillary Technologies
aneesh@capillarytech.com

Vikash Jain
Managing Director and Partner
BCG
jain.vikash@bcg.com

Shaleen Sinha
Director – India Growth Tech
BCG
sinha.shaleen@bcg.com

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If you are interested in finding out your organization's DLCE maturity, reach out to

dlce@capillarytech.com

Appendix

SHoP dimensions and activators

Data-driven Marketing

Optimizing brand communication using insights on customer's motivations, preferences and behavior

Activators

1. **Holistic data** - Capturing 1st, 2nd and 3rd party data for creating comprehensive customer view
2. **Audience definition** - Sophisticated techniques for defining customer segments
3. **Targeting techniques** - Channel selection and media purchase strategy for precise targeting
4. **Content dev. and delivery** - Personalized message tailoring and delivery mechanism
5. **Testing and feedback mechanisms** - Media effectiveness and testing procedures for optimizing marketing activities

Nascent

- Only in-house data employed
- Standardized consumer segmentation absent
- Static media purchasing and common content for all consumers and channels

Emerging

- Leverages inhouse and social media data
- Basic targeting based on demographic segmentation
- Dynamic media buying but static content across channels

Progressive

- Leverages in-house, social media and 3rd party data
- Advanced targeting basis behavior/micro segmentation
- Dynamic media buying with partially customized content and delivery mechanism

Pioneer

- Leverages in-house, social media and 3rd party data
- Dynamic personalization using AI/ML on consumer attributes
- Programmatic media buying with synchronized omni-channel outreach basis customer profile and current context

Engagement and Loyalty

Boosting customer retention and aspiration through well-designed loyalty programs

Activators

1. **Simple** – Seamless onboarding process for loyalty program
2. **Functionalities** – Platform feature depth with dynamic reward accretion
3. **Flexible** – Flexibility in earn/burn across partner member network
4. **Differentiated engagement** – Customer tierization with personalized rewards
5. **Experiential** – Integration of gamification elements into loyalty strategy

Nascent

- Disparate and tedious enrolment process
- Basic earn/burn with limited redemption channels - usually same brand/platform
- Single tier program with no experiential elements

Emerging

- Quick multi-channel enrolment process with non-real-time activation
- Basic earn features with partly flexible redemption through limited partnerships
- 2-3 customer tiers with basic benefit differences and gamification

Progressive

- Near optimum multi-channel enrolment process with slightly delayed account activation
- Coalition partner led earn and burn flexibility
- Multi-tier aspirational program with basic gamification elements

Pioneer

- Multi-channel enrolment with real time activation
- Feature rich loyalty platform with rewards also driven by customer behavioral events and social interactions
- Deeply personalized features and rewards across triers with gamification as core strategy

Commerce

Enabling a seamless cross-channel purchase journey through an enhanced commerce stack

Activators

1. **Multi-channel selling** – Presence and degree of integration across multiple sales channels
2. **Frictionless purchase process** – Seamless customer payment journey
3. **Functionalities** – Feature richness & depth of commerce platform across channels
4. **Customer feedback** – Service channels, response time & feedback incorporation

Nascent

- Standalone channels with limited integration
- Tedious payment process with limited payment methods
- No/minimal CS support

Emerging

- Partial integration across channels through re-directs
- Partially optimized payment journey with better breadth of payment options
- CS support, but irregular TAT

Progressive

- Frictionless movement across channels with data sync
- Optimized payment journey eliminating redundant steps with multiple payment options
- Streamlined CS process with regulated TAT

Pioneer

- Seamless omni-channel customer journey
- One click checkout process with a plethora of payment options and partnerships
- Real time CS chat bots

Personalization and Analytics

Delivering the right experience to the right customer at the right time

Activators

1. **Use cases** – Degree of personalization across different customer touchpoints
2. **Capabilities** – Sophistication of underlying personalization engines
3. **Test/Iterate** – Mechanisms for measurement and optimizing efficacy of algorithms
4. **Dynamic treatment** – Ability to determine engagement opportunities in real-time
5. **Micro segment size** – Degree of hyper-personalization achieved
6. **Event based trigger** – Trigger mechanisms for delivering personalized content
7. **Level of automation** – Level of automation across different process involved in personalization

Nascent

- Manually driven data analytics for personalization with limited iterative optimization
- One-size-fits-all mindset with limited offer differentiation

Emerging

- Rules-based targeting and offer logic with low frequency optimization activities
- Personalization based on large, static cust. segments; Limited automation built into delivery systems

Progressive

- Statistical model-based analytics for offers and comms. with regular testing
- Partially automated message and offer customization across small customer segments

Pioneer

- Deep learning and AI based analytics for personalization with high frequency efficacy testing and improvement
- Dynamic comm. and offers across micro segments (n=1) using integrated CRM tools

Data and BI

Capturing and analyzing relevant customer data to unearth customer engagement opportunities

Activators

1. **Multi source data feeds** - Internal and external data used for gathering customer insights
2. **MIS report** - MIS functionalities and frequency of usage in key business decisions
3. **Data lake/warehouse** - Storage architecture for different data formats
4. **Single 360 view** - Availability and ease of use of holistic customer data view
5. **Event capture/trigger** - Integration frequency of multiple data feeds
6. **Self service analytics** - Organizational delivery mechanism of data analysis and reports

Nascent

- Fragmented data storage
- Need-based data integration
- Disparate dashboards/MIS

Emerging

- Structured data fragmented across multiple locations
- Periodic data integration
- Consolidated, but manually populated dashboards

Progressive

- Cross channel single customer view available but difficult to understand/use
- Data integration done daily
- Automated dashboards and MIS employed in decision making

Pioneer

- Nuanced single customer view across channels with intuitive interface
- Real-time data integration
- Modular, feature rich dashboards (drag and drop) for data-led business decisions

Tech Stack

Robust underlying technology for supporting advanced digital engagement initiatives

Activators

1. **Open architecture** – Architecture of tech stack driving capabilities such as flexibility, scalability etc.
2. **Automation tools** – Degree of automation built into tech stack
3. **Customization** – Adoption of technology customized for nuanced business requirements
4. **Security** - Data management practices and security measures in places

Nascent

- No process to onboard 3rd party data
- High lead time (6+ months) for scaling or adding new functionalities
- Tech stack with no automation and data security measures in place

Emerging

- Manual process to onboard 3rd party data
- 3-6 months lead time for scaling or adding new functionalities
- Tech stack with low automation capabilities and basic data security measures

Progressive

- Partially automated process for 3rd party data
- 2-3 weeks lead time for scaling or adding new functionalities
- Partial automation capabilities built into stack with basic data security measures

Pioneer

- Fully automated API based process for 3rd party data
- Agile lead time for scaling or adding new functionalities
- Tech stack with high automation and data security treated as a business enabler

Ways of working

Organizational practices determining overall engagement strategy and successful implementation

Activators

1. **Org structure** - Distribution of key talent across functions
2. **Cross-functional** - Level of collaboration across different org. units
3. **Agile and flexible** - Degree of adoption of agile practices
4. **Training and certification** - Upskilling programs and practices in place
5. **Governance and control** - Involvement of leadership in key business decisions
6. **Turnaround Time** - Average time required for launching key initiatives
7. **Data in decision-making** - Degree of data usage in aiding business decisions

Nascent

- No dedicated analytics team
- Single department run program with limited KPIs
- No upskilling programs for working team

Emerging

- Shared org level analytics
- Limited collaboration across certain functions for implementing programs; KPIs not linked to incentives
- Limited upskilling programs in place

Progressive

- Dedicated analytics team
- Partial adoption of agile practices with KPIs linked incentives which are not rigorously monitored
- Upskilling and training programs in place for certain skills/functions

Pioneer

- Dedicated highly skilled analytics team
- Agile with cross functional teams and closely monitored KPIs
- Upskilling and training programs across the organization

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Mail: BCG / Permissions Boston Consulting Group (India) Private Limited.
Nariman Bhavan, 14th Floor
227, Nariman Point
Mumbai 400 021
India

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