

DECIPHER THE COMPLEXITY OF CUSTOMER LOYALTY

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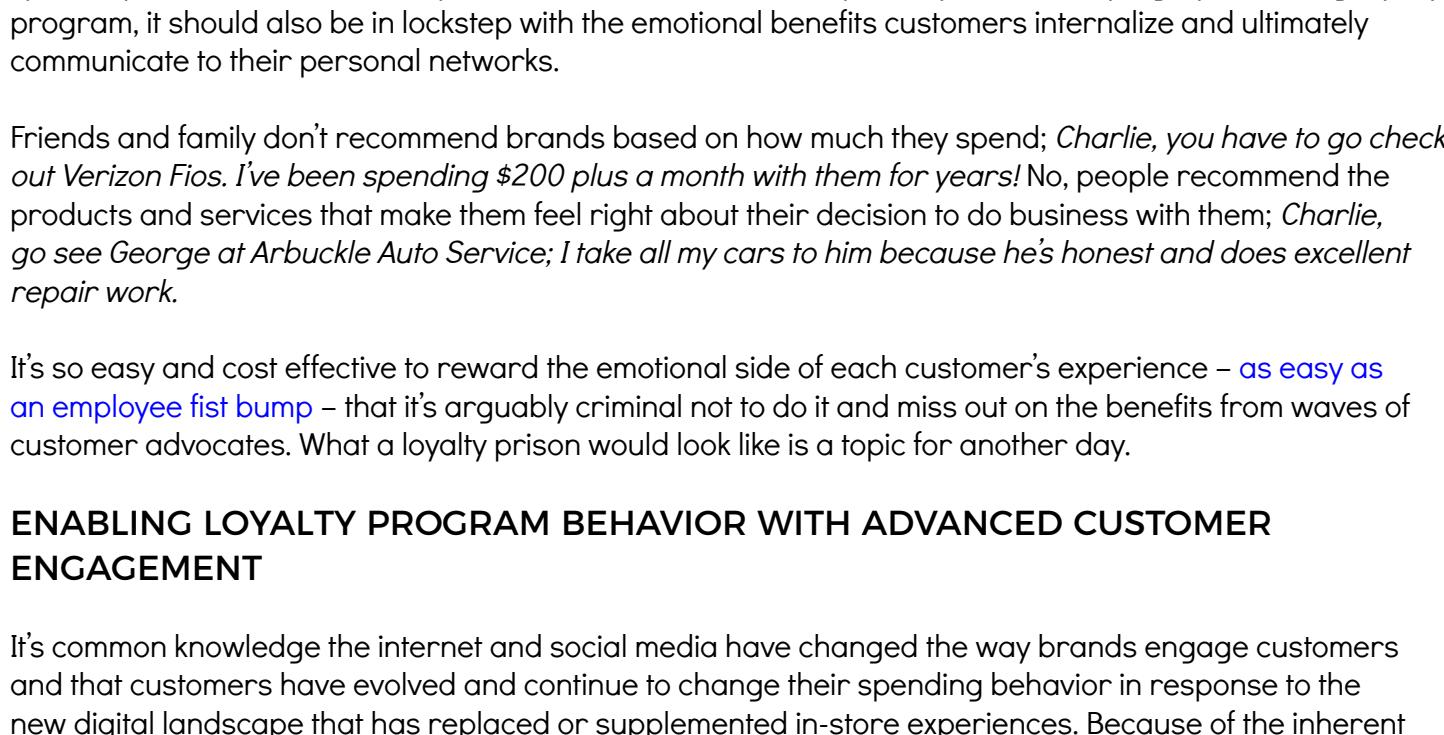
By Jack Cooney | Marketing

You don't have to be an expert marketer to understand that customer retention is a critical part of a brand's foundation for growth. The advantages of a strong base of active customers include:

- Up to **five times cheaper** to drive current customer activity than the cost of acquiring new customers
- Existing relationships are easier to understand and optimize, resulting in higher gains – measured by share of wallet – from customer journeys that meet expectations and elevate the customer experience
- Loyal customers are more likely to broadcast the great work you do than newer customers who are still evaluating you; enabling them unleashes the most cost-effective word of mouth marketing brand managers crave

Despite the advantages of investing in customer retention, many brands drop the ball on loyalty in favor of focusing on acquisition or they simply fail to properly connect the dots between their loyalty program incentives and the motivators that drive desired customer behavior.

An excellent loyalty program can actually be designed to improve customer retention and profitability, while also supporting desired customer acquisition goals. 89 Degrees' approach to developing high-performing loyalty programs embraces a simple formula, one that accounts for all the variables regardless of customer types or industry nuances in play:



L = Loyalty
D = Data
C = Customer Engagement
O = Outcomes (Desired)
E = Execution
X = Customer Participation

This formula takes into account all the variables that drive loyalty, where each is contingent on execution. Whatever the overall outcome you have in the combined contribution of data, customer engagement, desired outcomes, and the quality of execution that occurred, all of it is still contingent on customer participation which can minimize or accelerate program success.

EMOTIONAL BENEFITS DRIVE CUSTOMER LOYALTY AND ADVOCACY

Let's take a closer look at each metric starting with the most important one, Loyalty. Not that long ago, the only thing that mattered was the lifetime transactional value of each customer. Can we get them to spend more often? Spend more each subsequent visit? Spend more with me than my competitors? Spend, spend, spend! While customer spend is still and should be the primary focus of any high-performing loyalty program, it should also be in lockstep with the emotional benefits customers internalize and ultimately communicate to their personal networks.

Friends and family don't recommend brands based on how much they spend; *Charlie, you have to go check out Verizon Fios. I've been spending \$200 plus a month with them for years!* No, people recommend the products and services that make them feel right about their decision to do business with them; *Charlie, go see George at Arbuckle Auto Service; I take all my cars to him because he's honest and does excellent repair work.*

It's so easy and cost effective to reward the emotional side of each customer's experience – **as easy as an employee fist bump** – that it's arguably criminal not to do it and miss out on the benefits from waves of customer advocates. What a loyalty prison would look like is a topic for another day.

ENABLING LOYALTY PROGRAM BEHAVIOR WITH ADVANCED CUSTOMER ENGAGEMENT

It's common knowledge the internet and social media have changed the way brands engage customers and that customers have evolved and continue to change their spending behavior in response to the new digital landscape that has replaced or supplemented in-store experiences. Because of the inherent complexity of multi-channel engagement, marketers are turning to **Customer Journey Management** to better understand their customers and optimize the journeys that can meet KPI goals. Regardless of where your brand is with customer engagement, it should be a central part connecting loyalty program behavior with rewards and desired outcomes.

FUEL CUSTOMER PARTICIPATION WITH CONTINUOUS IMPROVEMENT

Customer Participation is the true variable and also the biggest determination of success. This is why it's so critical for the other pieces to be aligned, developed, and managed for responsiveness, adaptation, and continuous improvement. Active loyalty marketers know the perfect loyalty program doesn't exist, but an excellent program grows hand in hand with its customers, driving the incremental gains that more than justify the effort.

A LOYALTY PROGRAM WITHOUT DATA CANNOT STAND

For most brands, customer data is an abundance of value. It's also a source of frustration, where big data and data silos are reluctant to give up actionable insights without skillful data management and marketing-centric data scientists working their magic to separate meaning from the surrounding noise. But there's no way around it; marketers have to get their data house in order or all their best strategies for retaining and increasing spend will be for naught. **A purpose-driven analytic foundation** is a must-have for delivering relevant, personalized communications that support and enhance loyalty.

UNDERSTAND CUSTOMER PREFERENCES FOR ACHIEVING DESIRED OUTCOMES

No two loyalty programs are the same; rather, they *shouldn't* be the same. Customers have preferences and the brand that can better understand those preferences and configure their engagement strategy to best meet them will win. The best loyalty programs embrace that goal and align their benefits accordingly. If your current program has a copy-cat, then it's time to reset and establish a differentiated approach that truly wins hearts and minds and *wallet share!* When tackled in conjunction with the focus on emotional loyalty, it can be the most cost-effective way to solidify loyalty while promoting brand advocates. Try a little creative ideation to break the "Us too" chains.

89 Degrees' utilizes our **Periodic Table of Loyalty BenefitsSM** to establish a foundation for loyalty program success, deploying a range of recognition and reward elements to drive customer behavior for optimal cost-benefit analysis.

EXECUTION ACROSS ALL CHANNELS

For me, execution is to loyalty programs as a steering wheel is to a race car; it doesn't take much to keep it on track or veer off into a ditch. For online retailers, they have a distinct advantage with their ability to impose strict rules of engagement that are consistently delivered with every website visit, email, or social media engagement. For marketers who still have to contend with sales associates on the frontline of in-person customer engagement, it's like having a dozen hands on the wheel pulling/pushing in different directions at the same time. IKEA does an amazing job of reigning in the variables with their **IKEA FAMILY** program, empowering representatives with tablets and in-store kiosks for self-service member sign-up. But brick and mortar retailers can do even more, especially if they see their associates as brand ambassadors who have a distinct advantage over automated digital communications, where they can help drive loyalty program enrollment and participation all while adding value during the critical in-store purchase stage.

INTERESTED IN LEARNING MORE?

Check out our white paper, *Build a Loyalty Program that Actually Creates Loyalty.*

About the Author

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Jack is a sales and marketing professional with a passion for great customer experiences. When he's not launching new campaigns or updating Salesforce, he enjoys writing, driving, and embarrassing his kids.

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