



Loyalty Modelling

Introduction

The central push of the marketing activities of an organisation is often considered in terms of development, maintenance, or enhancement of customers' loyalty toward its products or services. Although much of the marketing research on loyalty has focused on frequently purchased package goods (brand loyalty), the loyalty concept is also important for industrial goods (vendor loyalty), services (service loyalty), and retail establishments (store loyalty). Indeed, customer loyalty constitutes an underlying objective for strategic market planning and represents an important basis for developing a sustainable competitive advantage --an advantage that can be realised through marketing efforts (Basu, & Dick, 1994). In the present environment with the continually increasing global competition with rapid market entry of innovative products, on the one hand, and maturity conditions in certain product markets, on the other, the task of managing loyalty has emerged as a focal managerial challenge.

In addition, studies (Luarn & Lin, 2003; Barrett, Miller, & Rauyruen, n.d.) suggest three main antecedent influences on loyalty (attitudinal commitment and behavioural loyalty) for an e-service context as well as a Business to Business perspective respectively, that being; trust, customer satisfaction, and perceived value.

In this paper, we will take a look at these concepts as well as; the importance of customer loyalty, what a loyalty program is, and some tips for evaluating whether your customers are satisfied with the loyalty offering, and finally, trends in customer loyalty today.

What is Customer Loyalty?

Customer loyalty is deemed as a customer's willingness to repeatedly return to a company to conduct some type of business due to the remarkable experiences they have with that brand (HubSpot, 2020). Furthermore, customer loyalty is viewed

as the strength of the relationship between an individual's relative attitude and repeat patronage. The relationship is seen as mediated by social norms as well as situational factors (Basu & Dick, 1994).

Different industries have various ways of measuring loyalty, but it is suggested that the most basic way is to look at the number of purchases over a customer's lifetime in your database. Repeat buyers are your *most valuable* customers (Lister, 2019). Though they may not be big purchasers, it is likely that over time, the revenue from them will surpass revenue from big one-time buyers (Lister, 2019).

It is further suggested that customer loyalty is the result of a company consistently meeting and exceeding customer expectations. Another study (Rare Consulting, 2020) suggests that 83% of customers said their brand loyalty stemmed from trust. In other words, loyalty is about likability and the ability to trust the product and brand. Customers that trust the companies they do business with will be more likely to purchase again from that company in the future.

Why is Customer Loyalty so Important?

Customer loyalty programs are important because they increase customer retention. But why is that so important?

1. Increased profit

Customer retention and loyalty has numerous benefits. According to a Gartner Group study, for example, 20% of a company's existing customer base generates 80% of its profits! Just a slight increase in customer loyalty can dramatically increase your profits. Customers are not just direct sources of profit, but stand to serve as potential promoters, as well (Kelly, 2018).

2. Reduced marketing costs

A customer's buying journey begins long before they make the actual purchase. They will often engage in research before purchasing a product, either by reading reviews online or seeking advice from a current customer- typically people that they know and trust (Kelly, 2018). Research proves that the more loyal customers you have, the more positive feedback that will be available to prospects, thus lowering your marketing and advertising costs. And of course, word-of-mouth promotion is a powerful marketing tool (Kelly, 2018).

4. Increased customer satisfaction

Repeat customers also offer another invaluable benefit- that is- brand insight. Returning customers will provide honest feedback based on experience which can and should be used to improve your business, increase customer satisfaction, and bring in increased revenue (Kelly, 2018). Loyal customers are invested in your brand and therefore provide some of the most useful critique to how you can improve.

5. Resilience

Finally, building customer retention and loyalty will help set apart your business from your competitors as loyal customers will typically stick to the brand they trust regardless of economic changes. As long as you continue to maintain a standard of excellence when it comes to your products and services, loyal customers keep bringing money to your business, even if a trendy new brand comes to the market (Kelly, 2018).

What is a Customer Loyalty Program?

A customer loyalty program offers participating customers rewards or special benefits for their purchases that aren't available to non-participating customers. They are designed to incentivise repeat business, and may come in the form of loyalty cards, keychain fobs, stickers, cashback points or even the more vintage of sorts- paper punch cards. For customers, a loyalty program may be free to sign up or may have an entry or yearly fee. For businesses, your loyalty program may cost you nothing or might require a small investment (Heitman, 2020).

Loyalty programs combine humanity's competitive nature with the consumer's love of receiving free stuff. The customer is made happy by their reward, while the hosting business rakes in more profits and gains that customer's allegiance, thus building customer loyalty (Heitman, 2020). It is always a good idea to find out what types of rewards most appeal to your existing customers. As such, running a rewards' program survey is a crucial starting point in order to gain those necessary insights.

How to Use Customer Loyalty Surveys

When you understand shoppers' interests, goals, and pet peeves, you can adjust and refine your inventory and service to keep them coming back for more. Here's how:

1. Repeat business

Ask your customers if they would do business with you again. It might be nerve-wracking to hear about a client who may never come back, but it's information you absolutely must have (Heitman, 2020). Is it your great service? The customer loyalty card? Habit? Perhaps convenience? Not only does it give you an opportunity to correct any issues, but it helps you better the experience for future shoppers, which would encourage loyalty.

2. Referral business

Consumer loyalty statistics show referrals are one of the top ways to get new business. If a customer is delighted, they'll talk about it with their friends, family, and social networks (Heitman, 2020). If a client is merely satisfied, they may not. Get your company to the enviable position of enjoying word-of-mouth referrals when you conduct a customer satisfaction survey. Many businesses use a Net Promoter Score (NPS) survey to discover if their customers are apt to refer them to their friends. Learn about how to earn consumer trust and started getting new referrals (Heitman, 2020). You can also discover if they've already made referrals, and if so, what encouraged them to do so.

3. Learn about what they like

Getting customer feedback is a great way to pinpoint why consumers return. Ask some of your best customers to answer questions about their brand loyalty and you may be surprised by the results (Heitman, 2020). For instance, you might be extremely proud of your apple pie, but it's actually the coffee that gets people through your restaurant's doors and more so, gets them to bring their friends along.

4. Even better, learn about what they don't like

Thicken that skin and invite criticism with a questionnaire on consumer loyalty that expects brutal honesty. From the colour of the walls, to the music you're playing... the little things add up to the total experience. If you have an appropriate audience, you might even think about making this kind of customer survey a little tongue-in-cheek. For example, invite customers to "let us have it," and provide some fun, humorous response options (Heitman, 2020).

4 Tips for Great Customer Loyalty Surveys

1. Use closed-ended questions

Start with simple “yes” or “no” options, then use skip logic to focus responses on the product, customer service, or website usability (Ferguson, 2016).

2. Don't try to ask too much in a single question

Questions such as, “Did our product arrive on time and in good condition?” There could easily be two completely different responses for each part of the questions (Ferguson, 2016).

3. Get creative

Ask questions about what makes your organisation different from competitors, such as ambiance, personality, or a unique product. There might be something special about your company that you can capitalise on in advertisements or on your website (Ferguson, 2016).

4. Ask about consumer loyalty programs

Is a customer loyalty program something your shoppers want? Do people actually use those punch cards? Does it take too long to earn a reward? Is it the only reason customers are returning to your store? The answers to these questions will help you set up or improve a loyalty program.

The Main Antecedents Which Influence Customer Loyalty

From An E-Service and B2B Perspective

Understanding how or why a sense of loyalty develops in customers remains one of the crucial management issues (Luarn & Lin, 2003).

Recognising that a vital key to retaining customers is maintaining their *trust* in the e-vendor (Reichheld & Scheffer, 2000), with customer trust as a primary factor for customer commitment and loyalty. In addition, the other main factors which influence customer loyalty includes *customer satisfaction* and *perceived value* as

additional explanatory variables in understanding the determinants of why online customers show attitudinal commitment and behavioural purchase loyalty to a specific e-service provider (Luarn & Lin, 2003).

In a B2B environment, suppliers need to understand the nature and circumstances of their customers because of the unique characteristics of the customers acting as an organisation (Barrett, et al, n.d.). As business-customers purchase large volume of products and services, managing and maintaining loyal B2B customers can secure a supplier's greater revenue. The importance and benefits of attracting and maintaining loyal customers has arisen because there is a general acceptance that profitability follows customer loyalty (Reichheld and Sasser 1990).

Trust is vital in many business relationships especially those containing an element of risk, including interacting with an e-vendor. Lacking effective regulations (that is adhering to POPIA or GDPR regulations) in an online context, consumers have to trust that the e-service vendor will not engage in harmful opportunistic behaviours, or else the overwhelming social complexity will cause them to avoid purchasing (Luarn & Lin, 2003).

Some researchers (Luarn & Lin, 2003) have suggested that online customers generally stay away from e-vendors with whom they have not previously dealt or have no knowledge of others making use of them- as there is not sense of trust.

In the marketing literature, Morgan and Hunt (1994) also suggest that brand trust leads to brand loyalty and commitment because trust creates exchange relationships that are highly valued. Thus, loyalty or commitment underlies the ongoing process of continuing and maintaining a valued and important relationship that has been created by trust (Luarn & Lin, 2003).

Understanding the nature of trust and the importance of its contribution to loyalty will leave a major impact on how B2B relationships are developed and managed.

Some studies have shown customer loyalty to be a consequence of trust. Empirically, there is evidence of direct effects of trust on loyalty (Barrett, et al, n.d.).

The view of brand trust as part of the brand domain recognises that brand value can be created and developed through the management of some aspects that go beyond consumer's satisfaction with the functional performance of the products and its attributes.

The brands that make consumers happy or joyful or affectionate should prompt greater behavioural (purchase) loyalty and attitudinal commitment (Chaudhuri and

Holbrook, 2001). Similarly, consumer satisfaction is believed to mediate consumer learning from prior experience and to explain key post-purchase behaviours, such as complaining, word of mouth, repurchase intention, and product (Luarn & Lin, 2003).

When it comes to business to business, it is argued that customer **commitment** to the supplier is a very important driver of customer loyalty in service industries (Barrett, et al, n.d.). The construct of commitment has also been shown to be an important dimension of relationship quality. In a similar way to trust, commitment is considered as an important ingredient in successful relationships (Morgan and Hunt, 1994). The construct of commitment is regarded as the central construct in relationship marketing (Barrett, et al, n.d.). The concept of commitment stems from industrial and organisational psychology and has been viewed as an intention to continue a course of action or activity such as maintaining a relationship with a business partner (Barrett, et al, n.d.).

In the buyer-and-seller relationship literature, commitment is defined as an implicit or explicit pledge of relational continuity between exchange partners (Barrett, et al, n.d.). In simpler terms, commitment refers to the motivation to stay with a supplier or suppliers (Barrett, et al, n.d.). In a business relationship, commitment is a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed, while in terms of the relationship between commitment and loyalty, Dick and Basu (1994) suggest that potential consequences of commitment may include word of mouth communications- an important aspect of attitudinal loyalty.

Perceived value is (Luarn & Lin, 2003) the perceived e-service utility relative to its monetary and nonmonetary costs, assessed by the consumer and based on simultaneous considerations of what is received and what is given up in order to receive it. As such, it is suggested that quality of product/service and Web site is a logical driver of perceived value. In instances where the core of what the e-vendor offers to the customers is a digitised product/service, for instance, online banking, content aggregators, and online stock trading, there is no tangible product and, as such, it is difficult for consumers to differentiate product quality, service quality, and website quality. Even in instances where the e-vendor offers to the buyers is a physical product, superior presale and post-sale service rendered by the e-vendor can add to the benefits received and also reduce the customer's nonmonetary cost such as time, effort, and mental stress.

Furthermore, part of the “give” and “receive” of the experience also involves the website quality. The online consumer gives time, cognition, and effort to the experience of interacting with the website, and gets an experience enabled by the website that hopefully makes it easy to find needed/wanted products, to check out quickly, and to receive confirmation about all important aspects of the purchase, such as order-confirmation and delivery-tracking. In this regard, the product quality, service quality, and website quality are also intertwined with each other. Cumulative insights from prior studies support the general notion that perceived value contributes to customer loyalty (Luarn & Lin, 2003).

Studies further suggest that regardless of whether the core offerings of an e-vendor are products or services, customer perceived value of products/services and Web quality provided by an e-vendor should be positively related to customer loyalty and commitment.

Kotler (1994) notably states, “the key to customer retention is customer satisfaction”. There is much theoretical and empirical evidence that shows that link between satisfaction and customer retention and customer loyalty (Barrett, et al, n.d.).

Satisfaction is often thought to affect the likelihood of repurchasing or reusing the service of a provider. There is a stream of empirical research that stresses the link between satisfaction and customer loyalty. In consumer marketing, there is consistent evidence that satisfaction contributes to repurchase intentions, behavioural intentions, customer retention and customer loyalty (Barrett, et al, n.d.).

Research further describes customer commitment as a stable preference that was bound by an attitude of resistance to change (Luarn & Lin, 2003). While others suggest that the “tendency to resist changing preference” provides the principle evidence of commitment (Luarn & Lin, 2003). As the principle evidence of commitment, resistance to change is central to a variety of outcomes, the foremost of which is loyalty (Jacoby and Kyner, 1973).

How Today’s Customers Engage with Loyalty Programs

Your Customer Relationship is a Journey

Customer relationships are only as strong as their weakest point. Loyal customers are born out of consistently excellent engagements: everything “clicked” in that first meeting, and everyone who has worked with their account since has provided the same great experience (HubSpot, n.d.). Creating great relationships requires teams to view the experience cohesively, understanding the journey from the customer's standpoint, so they can deliver consistent value that drives loyalty- this speaks to creating a customer-centric culture within your organisation.

Because the customer journey is generally viewed as linear, team workflows and KPIs are designed to measure the efficiency of individual interactions and how these helps move the customer through a particular team's processes (HubSpot, n.d.). This aligns each team around getting customers to purchase or adopt your solution, but it ignores how your customers realise value as well as how they experience the relationship as a whole. This often leads teams to make siloed decisions around process, best practices, tools, and SLAs (HubSpot, n.d.).

As we know, customer journeys are becoming increasingly nonlinear. Handoffs between teams don't happen just once, marketing is present throughout (and beyond) the customer lifecycle, customer success, and support step in during the sales process to help with trial accounts and user questions, whilst sales can re-enter to assist on upsells and cross-sells, renewals, and sometimes to help keep customers from churning (HubSpot, n.d.).

How sales manage their leg of the journey is critical to functional alignment across the entire experience. Sales is often the first to put a face (and/or voice) behind your organisation and it's important they have a clear process and maintain a culture standard to proactively guide the buyer, coaching them through the stages of the buyer's journey to make the decision to purchase. Where this goes wrong for many teams is a focus on moving buyers through their sales opportunity stages quickly, which are generally less customer-centric and put sales in the perspective of “qualifying and closing”, rather than “helping to purchase”. That is, figuring out what's best for the customer, as opposed to simply making a sale.

Your customer's relationship with your company doesn't start and stop when they transition from one internal team to the next. Loyal customers always know what they can expect at each stage of their relationship with your company, even prior to making a purchase. Best-in-class companies *identify and fix the areas where there is most likely to be a communication breakdown* and focus their efforts on ensuring

expectations are consistent across teams, delivered up front, and always met (HubSpot, n.d.).

The most likely sources of potential breakdown are the first call with each new team, which can often happen during handoffs between different functional groups.

Differences in how each department communicates with buyers causes relationships to backslide or lose momentum, and customers can become frustrated with changing dynamics that are out of their control (HubSpot, n.d.). One might also find that customers insist on dealing with only one individual whom they know will offer them the best service as well as a greater understanding of their requirements, even if it means that individual remaining in communication and part of the process long after their role has been completed.

Looking for breakdowns in your process

The first step is understanding the journey from your customer's perspective and identifying opportunities to make their lives easier and improve their journey, this improving their overall experience. Consider their experience and look to see if they are impacted by any of the following (HubSpot, n.d.):

- **Operational inefficiencies**- eliminate extra steps that add no value to the experience,
- **Barriers to communication**- provide multiple channels through which customers can connect to the appropriate person on your team when they need them,
- **Internal communication problems**- improve data recording and sharing so you can eliminate errors in customer expectation setting and repetitive conversations,
- **Areas where customers go dark or the relationship loses momentum** - meetings that aren't properly structured, have no clear direction or goal, and customers' needs aren't met.

Are Customers Happy with Your Rewards Program?

Customers are clamouring for rewards programs. Research shows 87 percent of shoppers want brands to offer a loyalty program, and 83 percent say rewards make them more likely to continue doing business with a certain brand (Ferguson, 2016).

These statistics show loyalty programs are not only in demand but, as we have seen, have the potential to increase customer retention as well as revenue. To do so, businesses must constantly evaluate their loyalty program to make sure rewards are fresh, customers are engaged, and participation rates continue to climb.

From time to time, businesses should collect feedback about their loyalty program. Think of it like a tune-up, similar to what a mechanic does for your car, where customers provide the necessary tips to improve the performance of your program, while finding out what types of rewards most appeal to customers.

Here are some tips for understanding whether your loyalty program is working (Ferguson, 2016):

1. Send digital surveys or polls

One of the easier ways to collect feedback is through a short poll or survey. You can ask customers to answer a short survey through a variety of digital channels.

Here are a few tips and tools to use:

1. Send a survey via text or email

Some businesses collect email address, others collect phone numbers. Depending on what kind of customer contact information you have, you can poll customers via text or email- considering that you have acquired the necessary permissions in line with POPIA or GDPR regulations (depending on your geographical location). You'll find a few tools to use below. Again, expect to pay a sum to create and send the survey.

2. Set up a "feedback point" in your store

Your employees are already discussing your loyalty program at the checkout. They're likely asking, "Do you have any rewards to redeem today?" or "Are you a member of our rewards program?"

For customers that answer "yes," ask them if they're interested in receiving a gift for providing 2-minutes' worth of feedback on your loyalty program.

There are two important components to that question. First, customers are given an idea of how long this process will take: two minutes. Second, customers are given an incentive to participate.

What's the incentive? You can get creative here, but you can offer a 10% off coupon or to double the amount of points that the customer earned today.

For stores with slower traffic, the cashier can ask the customer a few questions and record the answers. Busier stores can direct customers to a "feedback point" where a different employee will ask a few quick questions.

3. Collect feedback at a customer appreciation event

Consider collecting feedback at your next customer appreciation event. Whether you're hosting a small brunch, or taking a few clients out to a local event, it's an informal time to pick their brain about your loyalty program.

The idea is to casually ask a few questions about your program. Maybe you want to know if customers are happy with the rewards that they receive, or maybe you're wondering if employees are promoting the program while you're away.

Create a small list of focused questions and run them by customers as they enjoy the event.

4. Set up a focus group

Setting up a focus group might sound time-intensive and difficult, but it doesn't have to be. Ask a few customers to participate in a 30-minute focus group after your store has closed to gain valuable insight from them.

Recruit participants on social media, through email or by offering a special text promotion. The promotion might say, "Participate in our 30-minute focus group this Saturday and receive a 30% off coupon for your next purchase." Or better still, invite them to a short Zoom session where they can interact from the comfort of their homes or offices.

However, you decide to invite customers, make sure there's an incentive for them to participate. In addition, make the experience enjoyable. Have snacks and refreshments if in person and keep the tone light and casual.

Create a list of specific questions that you'll ask and be sure to keep track of the responses. You might consider recording the session so you can reference it later on.

4. Wrap up

The insight that you gain from customers is extremely valuable. By implementing the suggestions that customers provide, you can improve your program, which will likely improve your retention rates too. This is key- customers will appreciate the fact that you have taken their suggestions into account, and it is not just another organisation asking for feedback with which nothing is done.

Types of Analytics

With the above in mind, considering all factors from an analytics perspective, we may say that there are a four types of data analytics, namely:

1. Prescriptive analytics
2. Descriptive analytics
3. Diagnostic analytics
4. Predictive analytics

Prescriptive analytics is where your machine learning (ML) comes into play.

Descriptive analytics, however, are your means and variance data sets which tell you *what* is happening. While **Diagnostic** analytics is more interested in *why* it's happening. Finally, **Predictive** analytics simply asks the question, "will it continue to happen?"

All of these factors one might argue, are essential in any form of modelling and believe these may be of value in the loyalty modelling. Because of the big data buzz word, machine learning is deemed an *elixir* of sorts. While in fact, without the proper frameworks of the other three analytics types, machine learning can raise more questions than it answers.

Using survey data, customer demographics, and buying behaviour, we can certainly be able to use all of the methods mentioned to model customer loyalty.

Some Trends in Customer Loyalty Today

While gaining customer loyalty has always been a priority for brands, it will become even more critical in the next few years. This is largely due to the shift of power from brand to consumer-driven by digitisation, competitive marketplace, and commodification (Machado, 2020). Moreover, rising customer acquisition and overheads costs will further prompt brands to double down on maximizing Customer Lifetime Value (CLV) by retaining existing customers. An uncertain global economy

and higher focus on profitability by ecommerce businesses are further expected to fuel this trend (Machado, 2020).

This is apparent from the renewed focus by almost all major brands in either upgrading or completely revamping their loyalty program. Another factor fuelling this trend is the realisation by retailers that traditional spend/earn point loyalty models won't cut it anymore and they need a more engagement-focussed reward program to entice today's spoilt-for-choice, attention-deprived customer (Machado, 2020).

As a result, most of the traditional programs are now being replaced by behavioural-based, highly personalised omnichannel reward models which recognise customers for diverse actions/interactions like store check-ins, social shares, reviews and referrals. This makes good sense simply because brand loyalty, or loyalty in any context for that matter, is an emotional derivative, and rarely determined by logic or rationale. Here are the other top loyalty trends we expect to prevail in 2020 and beyond (Machado, 2020);

The Rise of Emotional and Behavioural Based Loyalty Programs

By far, this has been the biggest shift in loyalty programs in recent years. Customer loyalty is a combination of behavioural, emotional and rational factors. Until now, most of the loyalty programs were driven by a combination of rational (points/transactions based) and behavioural models (these are mostly paid/subscription programs; Amazon Prime is a great example of behavioural loyalty). However emotional loyalty has been proven to have higher longevity and stronger connection compared to the other two.

Hyper-personalisation will be the distinguishing factor between Leaders and Laggard

The role of emotional loyalty is to answer the 'Why' for a customer. Why did they choose the more expensive coffee that got him/her more points (it was made with sustainably grown coffee beans?) (Machado, 2020). According to research by Gallup, customers with strong emotional connections to retailers will visit their stores 32% more often and spend 46% more money than those without emotional bonds. A truly great loyalty program will be the right blend of rational, behavioural, and emotional loyalty such that it wins both the heart and the mind.

While loyalty programs can use data sets to personalise the customer experience, they also generate a trove of customer insights around purchase history, product

preferences, and reward redemption which can be leveraged to power the entire marketing automation engine.

Omnichannel reward programs will become the norm

The omnichannel model has been proven to be a win-win for both customers as well as businesses. While customers enjoy the enhanced convenience and seamless experience, brands have benefited from higher conversion, sales, and customer retention.

With the rise in the number of connected devices in the coming years, think IoT (Internet of Things) devices, Voice Assistants etc., we expect more brands to jump on the omnichannel loyalty wagon. For brands, the biggest challenge in enabling omnichannel loyalty has been capturing data from multiple sources like in-store, app, social, and website into a single data pool. However recent advancements like CDPs (continuous data protection- backup technology) have solved many of these challenges (Machado, 2020).

Paid loyalty programs will rise in numbers

The success of Amazon Prime proved that customers are willing to pay for a loyalty program if they are offered additional perks and benefits. (Machado, 2020) Paid loyalty customers typically have higher purchase frequency and Average Order Values, making them a no brainer for brands. In a customer study, a whopping 62% of respondents were willing to join a paid rewards program if their favourite retailer offered one (Machado, 2020).

Integration of Machine Learning (ML), Big Data & Blockchain in loyalty programs

Big Data and ML have been increasingly used in loyalty programs to enhance personalisation and predictive insight. The first use case is fairly straightforward – when a customer engages with a loyalty program, the system analyses the information and segment members based on demographics and rewards preferences, amongst other factors. This allows brands to personalise engagement over a period of time. For predictive insights, the system can create alerts for specific use cases, like the risk of customer churn, propensity to purchase, tier-upgrade probability (Machado, 2020).

Blockchain-based loyalty programs aim to fix what has been a major pain point for brands: low redemption rates. The technology allows a customer to store all points in a single wallet rather than trying to manage multiple programs. There will not be

separate rules for acquiring and redeeming points from different loyalty programs which will remove a lot of the friction and improve redemption rates. While blockchain programs are still in their infancy and there are questions around scalability, they nevertheless hold a lot of promise.

Mobile loyalty apps will see continued increase in adoption

Mobile has becoming a critical component of brand's engagement and sales strategy, with nearly a third of consumers saying it's their favourite way to show membership in stores. Last year a slew of major brands like, Starbucks, Nike and Victoria's Secret refreshed and revamped their loyalty apps to offer a more connected experience. The reason for this increased focus on mobile loyalty is simple: it creates opportunities for better targeting and rewards delivery, while many also allow for a gamified experience for collecting of points rewards. In fact, no other channel can use information (like a customer's exact location) to deliver highly personalised, real-time offers and rewards that can be seen and acted on quickly.

While brands are recognising the need for loyalty apps, the experience part of it still falls short. In fact, while 84% of retailers now offer a mobile loyalty experience, only 22% of them allowed users to view their rewards on the home screen (Machado, 2020). Mobile loyalty is the critical bridge between online and offline experience and if it doesn't portray the all-channel view of the customer, it risks being ignored. While the last few years have been focussed on acquisition and adoption, the next 5-10 years will be focussed around enhancing and optimising the mobile loyalty experience to be at par or better than the desktop.

The preference for coalition loyalty programs

While the trend was mostly limited to travel and hospitality, it is expected to be adopted across diverse industries like apparel and footwear, automotive and manufacturing (Machado, 2020). The biggest draw of coalition loyalty programs is the flexibility and freedom of choice it offers to the customers. For brands, these programs are a great way to extend the reach and overall base of customers. In addition to the extra eyeballs, these programs enhance the credibility of your brand since it will be placed alongside other reputable brands. While multi-company loyalty programs are a clear step in the right direction, there are kinks to be ironed out, especially when it comes to restrictive point redemption policies.

Conclusion

In order to attract customers, and keep them coming back, companies need to invest in building company loyalty. By meeting and exceeding expectations consistently, companies can start to build a relationship with customers.

Instead of relying on feel-good metrics alone to improve your customer retention, start measuring customer loyalty. Follow up with those customers who are at risk of churn but can still be saved.

Make the most of the feedback available to you from your customers. Spend time collecting enough data to get a reasonably reliable picture of your customer loyalty. Furthermore, understand that trust, customer satisfaction, and perceived value are the main antecedents which impact on commitment and loyalty to a brand and/or organisation.

Competing simply on price is a race to the bottom. Companies with zero customer loyalty are forced to play this game, offering deeper and deeper discounts to attract new customers. But companies who have loyal customers don't need to compete on price.

Instead, they can leverage their strong relationship with customers to keep them coming back.

Get in touch with a Genie today to find out more about NPS and the custom surveys that you can send to your valued customers to gain those much-needed insights.

References

Barrett, N. J., Miller, K. E., & Rauyruen, P., (n.d.). *Relationship Quality as a Predictor of B2B Customer loyalty*. School of Marketing, University of Technology, Sydney.

Basu, K., & Dick., A. S., (1994). *Customer Loyalty: Toward and Integrated Conceptual Framework*.

Chamber, S., (2020). *The Importance of Customer Loyalty*. NiceReply

Ferguson, L., (2016). *Are Your Customers Happy with Your Loyalty Program? 4 Ways to Find Out*. FiveStars

Heitman, S., (2020). *How to Run a Customer Loyalty Program*. LOCALiQ

Jacoby, J. & Kyner, D. B., (1973), "Brand loyalty vs. repeat purchasing behavior," *Journal of Marketing Research*,

Kelly, D., (2018). *Importance of Achieving Customer Loyalty*. CR WorldWide

Kotler, P. (1984). *Marketing Management: Analysis, Planning, and Control*. Fifth Edition. Englewood Cliffs

Kotler, P. (1994), *Marketing Management*. NJ, Prentice Hall.

Lister, M., (2019). *5 Ways to Earn & Build Customer Loyalty*. WordStream

Luarn, P. & Lin, H., (2003), *A Customer Loyalty Model for E-Service Context*.

National Taiwan University of Science and Technology.

Machado, D., (2020). *Top Customer Loyalty Trends for 2020*. Capillary Blog

Morgan, R. M. & Hunt, S. D., (1994), "*The commitment-trust theory of relationship marketing*," *Journal of Marketing*

Reichheld, F. F., & Sasser, W. E. Jr., (1990), *Zero Defections: Quality Comes to Services*. Harvard Business Review