THE FUTURE OF
CUSTOMER LOYALTY
IN THE DIGITAL WORLD

Why the Customer Experience is the key to success

kangaroo

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>
> — Kathleen Kusek

Technology and access to information have impacted all spheres of business and most importantly the way we do business. The winning formula for brand success and loyalty historically consisted of excellent product quality, top-notch customer service, and marketing. Although the pillars of customer loyalty have remained the same, gaining modern customer loyalty has morphed into an intricate game of customer-aligned brand values, optimization of the customer experience, and omnichannel customer engagement.

Only **23%** of U.S. consumers consider themselves loyal to any brand, reports Rave Magazine, and 77% say they now withdraw their brand loyalty faster than they did three years ago.

That shift is particularly evident in market share losses recently sustained by big, longstanding players like Procter & Gamble, Unilever, General Mills, and Kellogg. In fact, a whopping 90% of

America's leading household goods brands have been losing market share among top brands, reports Kathleen Kusek in **Forbes**.

What's going on? A recent Microsoft study has suggested that the combination of smartphone use and an abundance of content have lowered human attention spans dramatically in the past 10 years. According to Microsoft CEO Satya Nadella, "We are moving from a world where computing power was scarce to a place where it now is almost limitless, and where the true scarce commodity is increasingly human attention."

In this new digital age, brand success and ability to grow customer loyalty are relative to the brand's ability to constantly reinvent the way it connects, communicates and inspires its customers.

And that can be a 24-7 job in today's business environment.

The new reality:
Earning business through engagement

Today's consumers are subjected to a wide variety of brand strategies ranging from products and price points to marketing and advertising. In addition, customers are far more selective about the brands they choose to support; many won't part with their money unless the brand aligns with their expectations and values. Which means that it is the vendor's responsibility to figure out which value proposition best motivates their customers and position themselves accordingly.

"The erosion of consumer loyalty among the most esteemed brands represents a changed philosophy of buying," Kusek advises. "The standard for brand switching is no longer the failure of a brand to perform, but rather its inability to seem like an entirely new and interesting option at every single purchase cycle."

Going the extra mile to keep current customers engaged may not be easy, but it's well worthwhile from a budgetary standpoint. The cost of acquiring new customers is generally five to 25 times more than the cost of selling to existing customers, notes Amy Gallo in Harvard Business Review. Further, an average 65% of revenues from U.S. firms come from customers already familiar with their brands, and the average company can expect 80% of profits to come from 20% of existing customers, reports Gartner.

VARIATIONS ON REWARDS

Rather than offering a monetary award or tangible gift, some companies choose to offer perks or special mobile services for customers who download their loyalty apps. One Forrester report indicates U.S. consumers continue to seek new and innovative rewards programs that fit their wants and needs. Some examples of such variations:

- **The ability to determine whether a hotel room is ready before checking in digitally, using the app as a key.**

- **The ability to order and prepay for merchandise such as coffee or prescriptions.**

- **Free shipping on merchandise orders.**

- **The ability to earn donations to the user's favorite charity.**

- **Access to exclusive content.**

- **The ability to earn travel experiences.**

- **The opportunity to take a small part in company ownership.**

- **The ability to access free music, movies, podcasts or other entertainment.**

- **Invitations to exclusive events.**

- **Exclusive access to products developed for a key audience.**

- **Access to members-only social platforms.**

- **The opportunity to become "influencers" by promoting a given brand in exchange for perks, free gear, etc.**

So what's the answer? To remain competitive, companies must gather comprehensive, relevant data about their customers, then invest in methodologies that can keep them intrigued, surprised — even delighted by their offerings. Brands can no longer fall back on their legacies or past reputations; success now depends largely on the ability to provide a unique, personalized, branded experience across all customer touchpoints.

Case in point: One Walker **survey** predicts that by 2020, customer experience (CX) will beat both price and product as the key brand differentiator, and 86% of buyers will be willing to pay more for superior CX.

Psychological warfare:
How loyalty programs influence consumer behavior

One proven methodology for building brand loyalty and boosting sales is data-driven loyalty programs, which enable marketing teams to identify consumer trends and send targeted personalized offers and rewards to increase engagement, motivate purchases or take other desired actions.

Used effectively, such programs are able to impact revenue streams by sky-rocketing demand, preventing customer churn, driving share of wallet and boosting incremental spend. At the same time, they maximize customer relationships by pulling invaluable customer data to curate highly-targeted campaigns.

Instead of offering impersonal, standardized communications and sales transactions, companies that fully understand their customers can engage with them based on who they are, what they're apt to buy and how they want to buy it. That enables the marketing team to create relevant offers, maintain strong connections with their most valuable clientele and stop wasting time and money on ineffective campaigns. When Starbucks implemented its rewards program in 2013, they experienced a 26% increase in profits and an 11% total revenue lift. Studies show that loyalty participants ultimately spend **up to 18% more** than other customers.

"The real currency of any loyalty program lies in its ability to drive changes in consumer behavior," advises David Feldman on **Medium.com**. "We want them to love our brand and our product. We want them excited about offers we send them.

We want them to tell their friends and colleagues about us. And ultimately, we want to get them to form an emotional attachment with us in order to progress to a state of true loyalty."

Research shows such programs are hugely successful with customers. For example, 68% of adult female consumers and 59% of adult male consumers in the U.S. have already participated in such programs, reports **Emarketer**. Another study by the marketing research firm indicates 58.7% of internet users worldwide see earned rewards or loyalty points as one of the top two elements of the retail shopping experience.

As such, savvy marketers are all about the methodology. A significant 63% of "high-performing marketers" in the U.S. were already using loyalty platforms as of 2018, reports **Salesforce**, and implementation by U.S. marketers is expected to grow another 80% between 2018 and 2020. The power to motivate customer behavior with a loyalty program is bolstered by many studies showing that 69% of customers allow the presence of rewards or loyalty programs to influence their shopping decisions. Not only are consumers willing to sign up for rewards programs, but many are actively seeking the benefits and perks of customer loyalty. With more than half of consumers looking for rewards, most companies cannot afford not to have a program that incentivizes customer loyalty.

Only 23% of U.S. consumers consider themselves loyal to any brand these days, reports Rave Magazine, and 77% say they withdraw their brand loyalty faster than they did three years ago.

Emotional Loyalty: Building customer relationships

Aside from highly strategic loyalty programs, forward-thinking companies are using a variety of other techniques to better connect with customers, build relationships and keep themselves at the top of people's minds.

Data analysis. Got data? If not, your firm could be in trouble, according to **McKinsey**. The ability to effectively gather, interpret and optimize data is rapidly becoming a competitive differentiator in today's business world, and firms that fail to invest in the tools and services that can provide the relevant details they need about their audiences will soon fall behind. After all, engaging with customers is nearly impossible when you don't really understand who they are.

Strategic marketing automation. With today's sophisticated digital tools, companies can easily stay in close contact with customers and potential customers through automated marketing campaigns. The highly responsive tools can do everything from gather and sort consumer data to segment audiences to send

personalized messages (or post them on social media) based on key data. They can assist with prospecting, lead nurturing, customer acquisition, cross-selling, upselling and other marketing functions aimed at engaging customers, taking that off your plate so you can focus on other campaigns that require your brainpower. "Instead of one-off campaigns you've got a whole database where you can market to customers continuously," notes Anastasia Pavlova in a Marketo webinar mentioned on **CMSWire.com**. "You're developing relationships that last a long time." As of 2019, some 51% of U.S. companies are using marketing automation and 58% of B2B companies plan to adopt the technology, according to **Emailmonday.com**. A key example of marketing automation in action is Amazon's ability to use data on viewers' shopping and browsing habits to continually suggest targeted purchases; that explains why Amazon advertisers planned to boost spending on the platform by **80% this year**.

Experiential marketing. This marketing technique, especially popular with millennials, invites people to participate in fun and/or memorable events that link positive experiences into positive brand associations. Though it often involves multiple mediums, proponents say it can be more powerful than TV, print, banner or radio advertising because it encourages consumers to feel more attached to the brand. A survey of U.S. CMOs referenced in **Forbes** reports that one third will spend 21 to 50% of their budgets on the methodology over the next few years. "There's a rightful expectation (from consumers) you can play with brands, interact with brands, and the brands should take a point of view — they should contribute tangibly to the world," Dan Leahy recently told the **New York Times**. One innovative example: A **life-sized elephant hologram** co-sponsored by the World Wildlife Federation that roamed London for a week to draw attention to animal trafficking.

Gamification. Today's consumers, especially millennials and mobile consumers, tend to appreciate an element of entertainment in their sales transactions. That explains why so many marketers are using tactics like games, sweepstakes, auctions and daily deals to further attract and engage them. Studies show gamification appeals to many because it helps build emotional connections, offers tangible results and gives us a sense of control. A good example of gamification in action? McDonald's annual use of its now-digital Monopoly game to build brand awareness and engagement. "There are many reasons why businesses should love gamification as much as users love games," explains Nina Angelovska in **Forbes**. "As the retention and engagement crisis increases and the attention span constantly decreases, gamification can act as a remedy."
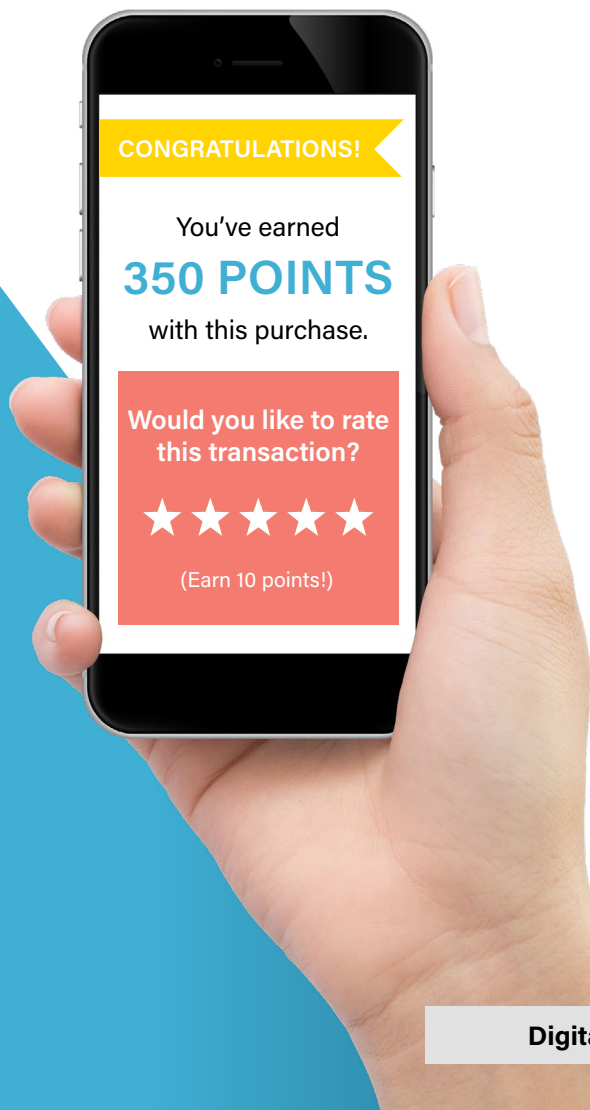
A Salesforce report projects that marketers' use of customer loyalty program platforms will grow 80% between 2018 and 2020.

Not surprisingly, **the global gamification market** reached $6.8 billion in 2018 and is expected to grow at a 32% CAGR to reach $40 billion by 2024.

Content marketing. Posting free, valuable, well-researched information of interest to your customers on your website and/or social media outlets can go a long way toward building brand awareness, trust, and loyalty. As customers begin to view you as an authority in your field, you start to gain the credibility that can lead to more conversions. Last year **54%** of B2B marketers in the U.S. were using content to "delight" and build loyalty with existing clients/customers and half of all U.S. marketers planned to increase their spending on content marketing, reports the Content Marketing Institute. Side benefits of such campaigns include higher visibility in search engines, higher domain authority and boosted referral traffic. "The sooner you start investing in it, the sooner you'll start to see results, and the better results you'll eventually see," writes Jayson DeMers on **Inc.com**. "Whether you're in it for the increased traffic, higher conversion rates or just better relationships with your customers, there's no reason content marketing shouldn't be included in your marketing arsenal." Consider how HGTV's extensive content marketing has turned it into the main go-to site for home décor and remodeling projects.

CONGRATULATIONS!

You've earned

350 POINTS

with this purchase.

Would you like to rate this transaction?

★ ★ ★ ★ ★

(Earn 10 points!)

Acquiring a new customer costs five to 25 times more than selling to an existing customer — while existing customers, conversely, spend 67% more than new customers.

Social media marketing. Creating and posting smart, interesting, relevant, meaningful presences on social media can be an excellent (and low-cost) way to communicate further with your customers and potential customers. Not only do such campaigns allow you to create a public "face" that helps build your brand, but they enable two-way communication that could otherwise be time-consuming and expensive. That's why on a worldwide basis 70 million businesses maintain Facebook pages, 94% of B2B marketers use LinkedIn to distribute content and 84% of B2B marketers use Twitter to distribute content, reports **Socialmediatoday. com**. If you aren't trying to engage the 3.04 billion active social media users worldwide, you can bet that your competitors are.

Management of online reviews. Smart companies closely monitor and respond to comments on online review sites as an engagement tool, regardless of whether the customers are posting positive or negative remarks. That's crucial since more than **90% of U.S. customers** actively seek out such reviews to help them evaluate local businesses, according to Brightlocal.com. The same source reports consumers will read an average of 10 online

reviews before establishing trust in a local business, and 89% read responses businesses make to reviewers. "When customers take time to give your business a review, acknowledge them," advises Ron Johnson on **Business2community. com**. "Show some gratitude, mention them on your featured testimonial page, create a fun video to thank reviewers, etc. Whatever you do, get creative and be authentic. When you show your reviewers attention it encourages others to follow suit. It also boosts loyalty and public relations."

Securing true customer loyalty can be a challenge given today's discerning customers. Despite the technological impact of digital technology on the way we do business, the art of building quality relationships is timeless. Relationships are founded on mutual interest, communication, and reciprocity. What has changed is the sheer amount of customer touch-points available to a brand and the customer expectation to receive a personalized, omnichannel experience. What may seem like a challenge can be tackled head-on with a well-designed marketing strategy that employs data-driven software like a loyalty marketing program to maximize customer relationships and increase customer lifetime value.
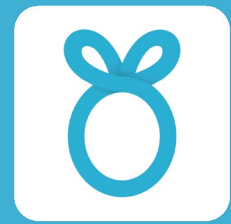
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Loyalty that **Motivates**

Our loyalty experts will help you develop the perfect brand strategy customized to your business goals and requirements.

WHY KANGAROO REWARDS:

Established in 2012, Kangaroo Rewards is an industry leader in customer loyalty. Our robust loyalty marketing software solution can be completely customized to engage customers via personalized offers and rewards, automated marketing, digital gift cards, and branded omnichannel experience. Kangaroo Rewards offers in-depth reporting allowing you to monitor and adjust your program based on customer behaviors and trends, thereby providing you with the power to maximize sales and customer engagement.

CONTACT

Kangaroo Rewards at 1-844-44LOYAL or visit www.kangaroorewards.com to book a demo.