The Problem with Loyalty

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For too many, it's a program, not a strategy.

Loyalty programs can be exceptionally effective at engaging customers. Before you say, "Thanks, Captain Obvious," hear us out. Yes, we do realize the loyalty industry has undergone cycles of innovation...and reinvention, we think it's time for another.

Successful loyalty programs naturally encourage brands to replicate elements of the success: one more visit, one more item in the basket, one more dollar of spend. For some, that formula keeps on giving, but for many, there's a struggle afoot in their footfall. We just didn't know how many until recently.

In a resent workshop, With an overall theme of "Setting A New Agenda," content and conversation focused on new frontiers, the new world of work along with plenty of AI, VR, CX, SMS, and 1:1, all to get to better ROI. (We even heard a new definition of ROI: Ripple of Impact!)

In the "Problem with Loyalty Programs" workshop we ran, attendees identified with the notion that **the power of loyalty programs often trains an organization to optimize the program instead of optimizing loyalty.** When you do the former, you end up with (possible) incremental gains in program metrics like traffic and purchase, but not always in actual loyalty to your business or your brand. This is important to consider when data shows a disconnect—ok, let's be real and call this a chasm—between marketers who strongly agree their brand is trustworthy at a whopping 61%, while only 34% of customers say the same!

The Bond Loyalty Report, in partnership with Visa, examined the critical distinctions in loyalty to a program vs. loyalty to a brand. Simply put, if you're not focused on both, you're not gaining the share of wallet you could be, and at some point, the program will not keep on giving. A new dimension of "brand is loyal to me" in the study further underscores the importance to ROI (both ripple and return) in building loyalty with customers vs. just to programs.

The best loyalty brands have strong loyalty-to-program, strong loyalty-to-brand, and strong loyalty-to-me metrics. As amazing as your loyalty program may be, it will always be suboptimized without the others.

Data is a powerful ally, but also another double-edge sword in the loyalty program dilemma. Chasing data outputs like membership, frequency, retention, and even aspects of engagement, lures brands into the false complacency that their programs are effective. Against those measures, they may well be. But when you look for more impactful growth outcomes that come from building and investing in loyal customers, things like sustainable share shift in spending and increased LTV at higher ROIs come sharply into focus. Connected and democratized data can draw bright lines of cause and effect and wean your organization away from loyalty program tactics.

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So, how do you level up loyalty from a program to a strategy? Here are five ways to level up your loyalty:

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1. Authentically align brand purpose. Nearly half of customers are willing to pay more to do business with brands that support social/environmental causes.

2. Get on a Road to Reciprocity. Know your customers and then show them you know them, whether that's providing by community, access, personalization, or support. Investing in making your brand loyal to them is increasingly key.

3. Align your data strategy. Define where you are on your data journey and help drive it to input to and measure the right things at the right time and in the right places.

4. Accelerate insight to action. The value your customer data can offer is growing by the nanosecond. Make sure you are staying ahead of mining for insights in real time and translating that into actionable efforts.

5. Be aware of what you may not know or see. Be wary of conclusions about consumer wants and needs based on a limited data set or what you think you know.

The power of intelligent, data-driven loyalty programs is immense. The world's most valuable and iconic brands today are living proof. The problem with loyalty today is success is defined as creating a great program vs. building a great bond with the customer. And if we stand for anything, we believe that ultimately bonds are the pathway to critical brand growth.

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