



Brand Loyalty 2020

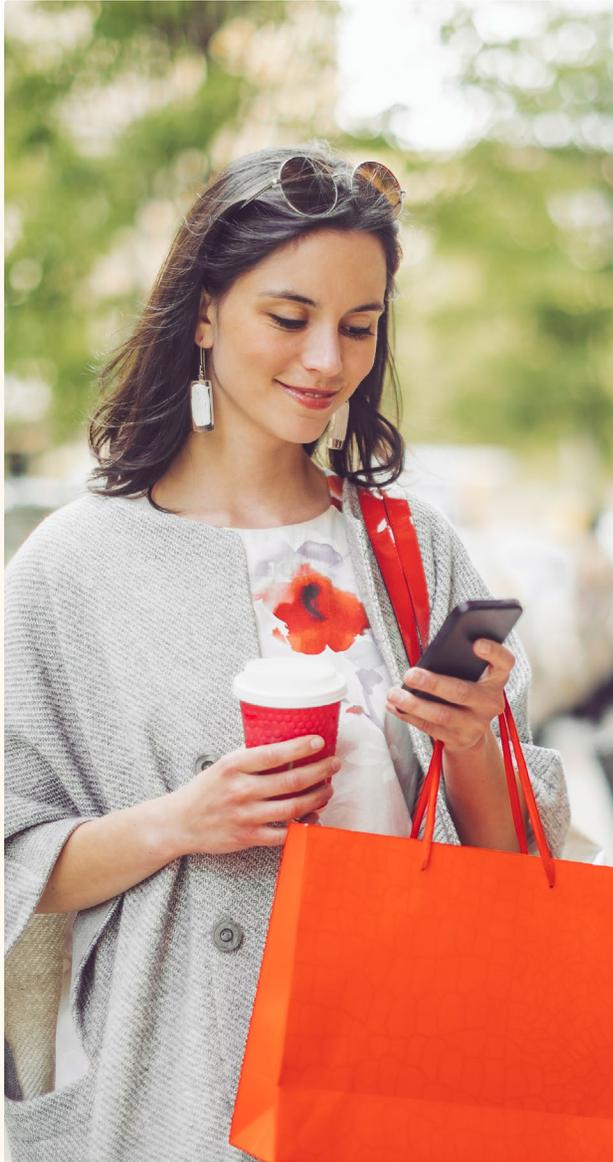
The Need for Hyper-
Individualization

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Discover your company's
personalization score!



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OPENING LETTER

Pandemic Underscores Need for Deep Customer Relevance and Value

When we launched this survey back in the first quarter of 2020, we had no idea how much the world was about to change. Within a few short weeks, the coronavirus quickly spread across the globe, shuttering businesses and compelling most of us to stay home. But we adapted. We juggled childcare with video calls, donned face masks in public spaces and cared for sick family members. Of course, it hasn't been easy.

Many of our customers' industries, like retail, hospitality and travel, have been some of the hardest hit by the ensuing economic downturn. But we've been immensely inspired by their resilience and ability to innovate in the face of such a daunting challenge. Brick-and-mortar shops shifted to curbside pickup, hotels opened up their rooms to individuals in need of a space to self-quarantine to keep their families healthy and airlines enacted strict public health measures to ensure the safety of essential workers, students and family caregivers who needed to travel.

These companies doubled down on the customer-centric attitude that's held up by our survey results. We found that brands must invest in true 1:1 personalization to deliver relevance and value to their customers, earning them long-term loyalty in return. While this data was collected just prior to the declaration of COVID-19 as a



global pandemic, our key findings have only become more resonant in recent months.

The bar for creating consumer relevance used to be set by your direct competitors. Now, it's set by tech giants like Netflix, Amazon and Spotify, whose business growth is driven by highly personalized user experiences. In quarantine, homebound consumers have relied heavily upon these services, and their expectations for individualized experiences across every brand interaction have grown as a result. Similarly, the need to deliver real value has only intensified as consumers must now weigh every purchasing decision against safety concerns and tighter household budgets.

Consumers will likely be cautious in their spending for months to come. Building and maintaining their loyalty now will ensure you're the first brand they turn to in whatever "new normal" we establish over time. And no matter what the future holds, delivering relevant, valuable, individualized offers and experiences will always help you better engage with your customers.

Christian Selchau-Hansen

Formation Co-Founder & CEO

CHAPTER 1

Brand Loyalty Today

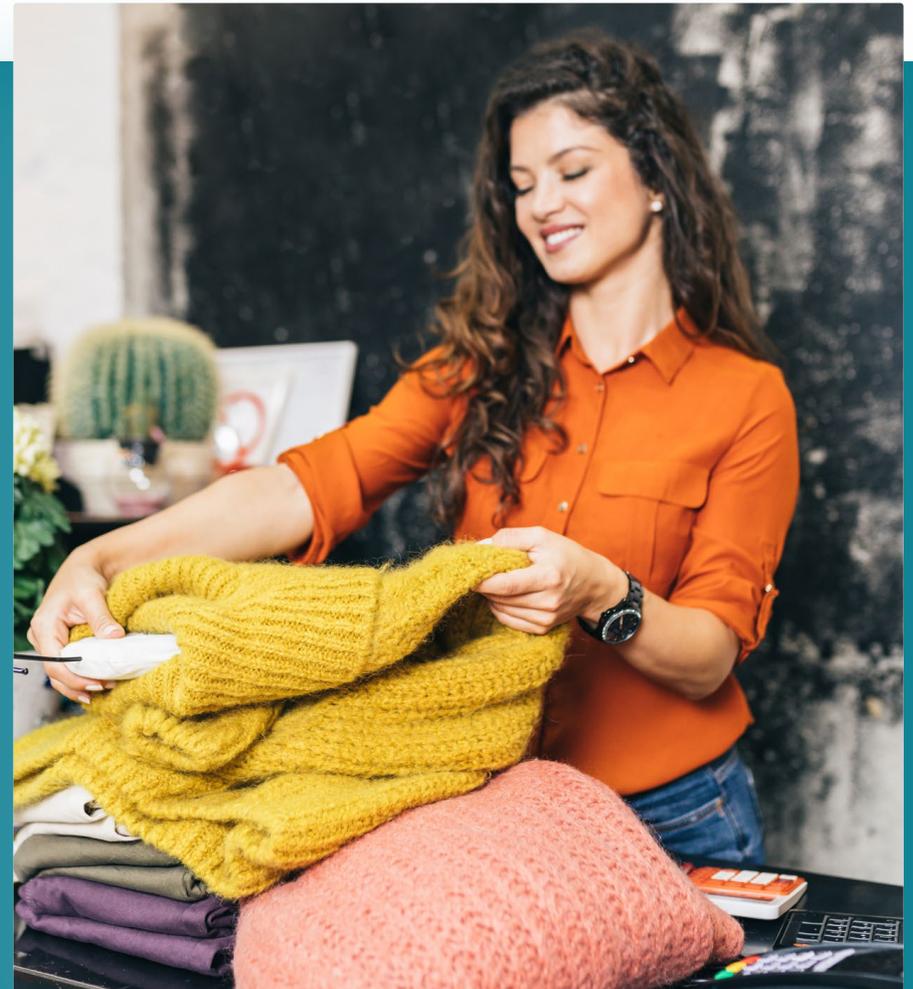
2020 Loyalty Landscape

Today's consumers are fiercely loyal to their favorite brands, but the competition for that loyalty is just as fierce. In our survey of 2,000 U.S. consumers, we found that over half (58%) are more loyal to brands than they were five years ago. This consumer loyalty translates directly to higher brand engagement — and more

dollars spent. But with so many brands in the marketplace, reaching consumers is more difficult than ever. Our results indicate true 1:1 personalization is critical to earning consumer loyalty in a crowded market.

Consumer-reported brand loyalty now compared to 5 years ago

[CLICK TO SHOW DATA](#)



Key Findings

FINDING 01

Basic customization and segmentation tactics are no longer enough to keep customers engaged with — and loyal to — your brand.

75%

of consumers said the marketing emails they open frequently contain macrosegmentation and/or microsegmentation tactics, indicating these are now table stakes.

FINDING 02

Consumers want true 1:1 personalization — experiences or communications with brands so tailored to their individual needs, interests and motivations that consumers feel as though they are the only recipient.

81%

of consumers are willing to share basic personal information in exchange for a more personalized experience.

73%

said the brands they engage with the most recognize them on a 1:1 level.

FINDING 03

Loyalty programs are your key to unlocking greater 1:1 personalization and building long-term consumer loyalty.

79%

of consumers agree that the more personalization tactics a brand uses, the more loyal they are to that brand.

73%

said they're more likely to engage with a brand that offers a loyalty program vs. one that doesn't.

FINDING 04

But your loyalty program **needs** to stand out.

58%

of consumers said they're more loyal to brands than they were five years ago, but the majority of respondents (63%) only belong to between one and three loyalty programs.

Your program must deliver exceptional experiences to make the cut.

77%

feel brands could be doing more to earn their loyalty.

CHAPTER 2

Personalization Is the New Norm

The Personal Data Ecosystem

Consumers are broadly willing to share basic personal information — if they receive something in return. Eighty-one percent of respondents said they're willing to share basic personal information in exchange for more personalized results or experiences. Of that group, more than a quarter (28%) responded that they're "extremely willing" to do so.

But keep in mind: **A brand's transparency about how it uses consumer data has a big impact on consumers' willingness to share that data.** Eighty-three percent of consumers said they're more willing to share data if the company is transparent about how that information will be used. Brands should clearly detail both how they plan to use consumer data and what benefits the consumer will enjoy in return.

KEEP IN MIND

83%

of consumers are **more willing to share data with companies that are transparent about how it will be used** — 34% are extremely willing.

Consumer willingness to share personal information in exchange for more personalization

WILLING



EXTREMELY WILLING



The Personalization Factor

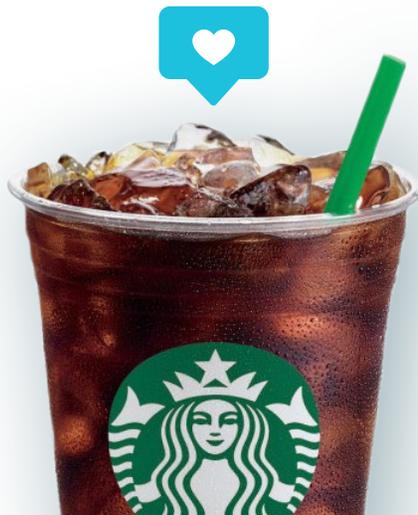
More than three quarters (77%) of respondents told us that across the various touchpoints of their retailer interactions — emails, apps, notifications — most are personalized either somewhat or extremely frequently. In other words, personalization alone is no longer a differentiator.

Personalization can be a differentiator, however, when it recognizes shoppers on a 1:1 basis. We asked respondents to think about a brand to which they're particularly loyal, and to tell us the extent they feel that brand recognizes them as an individual and then tailors experiences accordingly. Nearly three quarters (73%) said they feel this 1:1 recognition to a moderate or significant extent from their most loved brand.

KEEP IN MIND

73%

said they feel 1:1 recognition to a moderate or significant extent from their most-loved brand.



Frequency of personalization across various user touchpoints

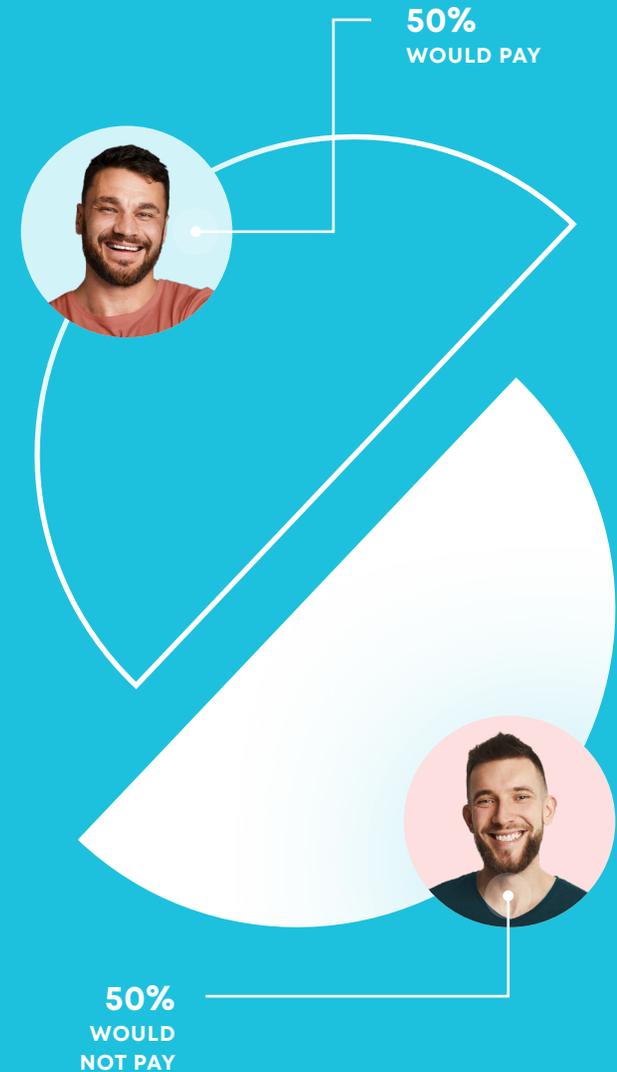


These results indicate a cyclical process: The more a brand engages with consumers on an individual level, the more those consumers will engage with that brand in return. In fact, **79% of respondents agree that the more personalization tactics a brand uses, the more loyal they are to that brand.**

Additionally, respondents are evenly split on whether they'd pay a premium for a brand that offered a more personalized experience. While half see the value in personalization, half have yet to be swayed, indicating there's a lot of room for brands to strengthen their personalization strategies and prove their worth to consumers.



Percentage of consumers who would pay a premium for a more personalized experience



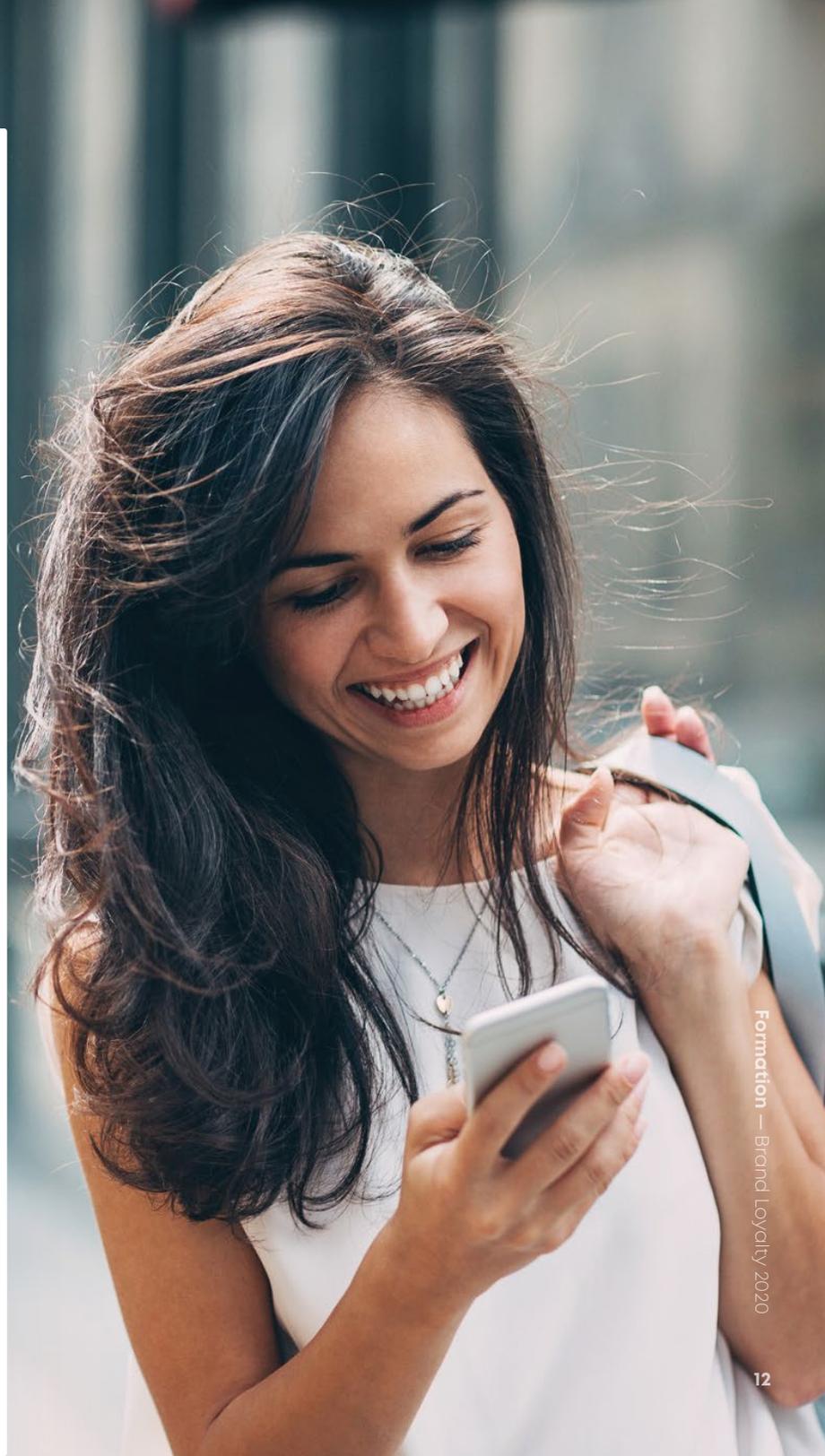
The Lesson

Entry-level personalization — like a marketing email that addresses the customer by name but otherwise contains generic product information — doesn't cut it anymore. With 81% of customers willing to share their data for personalization, they're reserving their loyalty for the brands that engage with them 1:1. To put it simply:

If you're not ahead of the curve on individualization, you'll find it increasingly challenging to differentiate your brand experience.

Start by analyzing how customers interact with your brand to understand their motivations, then create relevant offers that build long-term trust and loyalty. Bonus tip: Unifying behavioral or multi-step offers with 1:1 personalization is a winning combination.

“The more a brand engages with consumers on an individual level, the more those consumers will engage with that brand in return.”



CHAPTER 3

Personalization Spectrum

KEEP IN MIND

73%

of consumers said the marketing emails they open frequently **contain macrosegmentation and/or microsegmentation** tactics, indicating these are now table stakes.



The Personalization Evolution

While most businesses are investing in personalization, many struggle to even define an effective personalization strategy. That's because there's no simple definition. Rather, personalization involves multiple stages that grow in sophistication: macrosegmentation, microsegmentation and true 1:1 personalization.

“Personalization involves multiple stages that grow in sophistication: **macrosegmentation, microsegmentation and true 1:1 personalization.**”

Stage 1 Macrosegmentation

Companies in the base stage of personalization typically use macro tactics, like **adding recipients' names to marketing emails or segmenting audiences by basic demographics like gender or age.**

In our survey, 75% of consumers said the marketing emails they open frequently contain their name, indicating this stage of personalization is now table stakes. What's more, it doesn't actually help the consumer. Being addressed by name might be a nice gesture, but if the marketing email doesn't contain any products or information relevant to the user's lifestyle, the effort is wasted.

Segmentation vs. Personalization

While these concepts are often used interchangeably, they're actually quite different.

SEGMENTATION

The process of creating customer subgroups based on common characteristics like gender, age or location.

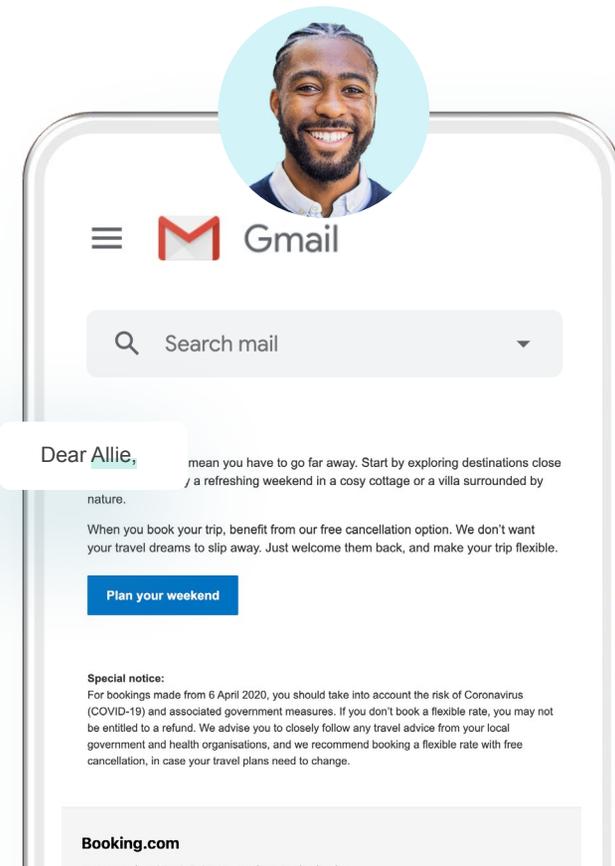
PERSONALIZATION

An experience or communication tailored to an individual's unique interests, like a specific hobby, and optimized to meet their individual needs.

KEEP IN MIND

75%

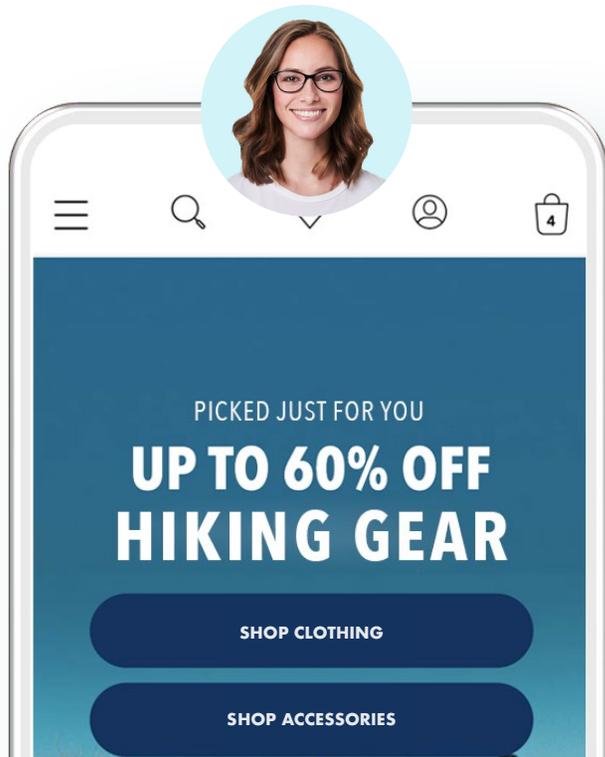
of consumers said the marketing emails they open **frequently contain their name.**



KEEP IN MIND

20%

of consumers surveyed feel they receive marketing emails that **“extremely frequently” feature content relevant to their specific lifestyle**, interests, attitudes or past purchases.



Stage 2 Microsegmentation

Companies that have progressed into the second stage of personalization **use data to build customer microsegments based on attributes like lifestyle, interests, attitudes, past purchases and browsing behavior.**

Only 20% of consumers surveyed feel they receive marketing emails that “extremely frequently” feature content relevant to their specific lifestyle, interests, attitudes or past purchases. While microsegmentation can certainly enable brands to better customize content, 1:1 personalization can help them do so more meaningfully — and on a larger scale.

Manual Overload

Due to the manual nature of building and sending segmented communications, companies can typically only manage between 10 and 30 microsegments. Each segment adds more complexity to the process; scaling this strategy is nearly impossible.

Stage 3 1:1 Personalization

Companies in the final stage of personalization analyze large amounts of disparate information, including customer, transaction and third-party data, to generate millions of promotions — one for each customer.

By integrating advanced digital technologies and first-party data, companies can deliver offers their customers care about and engage with. But just 18% of consumers report receiving marketing emails that contain content so unique to their needs that they feel it recognizes them as individuals “extremely frequently.” That means most brands have yet to reach the personalization sweet spot consumers crave, leaving their loyalty up for grabs.

The Power of Tech

It would take a staggering amount of human resources and capital to execute these granular promotions alone. So marketers must rely on technologies like artificial intelligence (AI) and machine learning (ML) to process the large amount of data required for true 1:1 personalization.

ROLE OF AI

AI extracts customer insights like motivations, enabling marketers to automate the process of collecting relevant data and refining offers for greater engagement.

ROLE OF ML

Machine learning identifies the optimal context, like the best promotion to serve an individual customer and when to serve it.

KEEP IN MIND

18%

of consumers report receiving marketing emails that **contain content so unique to their needs that they feel it recognizes them as individuals “extremely frequently.”**



The Lesson

Basic personalization tactics are now a given, and segmentation and microsegmentation are inherently labor-intensive manual processes. To more meaningfully and efficiently engage with their customers, companies must invest in tools that enable 1:1 personalization.

Investments in advanced digital technologies and proprietary data pay off. Companies that make an investment in effective individualization earn greater long-term brand loyalty. And 93% of organizations that invest in advanced personalization strategies **increase their revenue**. Thanks to AI and ML solutions that automate the entire process, Stage 3 is no longer a dream.

3 Steps to Achieve Personalization

- 01 You have the data, now use it.
- 02 Hone in on insights that drive value and build relationships.
- 03 Leverage data via AI and ML technology that automates personalized insights.



CHAPTER 4

Brands Have a Long Way to Go

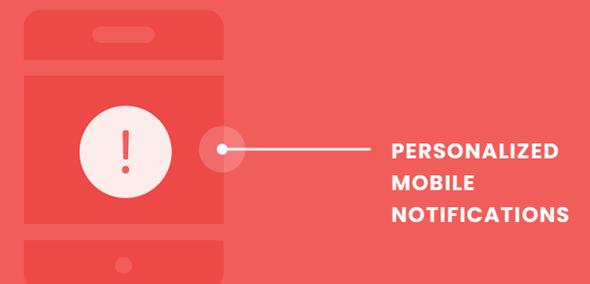
The Fine Line

When it comes to brand loyalty, there's a fine line between the brands and retailers that are doing personalization right — and those that are doing it wrong. When asked which personalization strategies are most likely to either increase or decrease their loyalty to a brand, respondents listed **“personalized website experience,” “personalized marketing email” and “personalized mobile notifications” as their top three for both.**

This finding suggests there's a qualitative variable at play here: **One company's personalized marketing email might be repellant, while another's keeps customers loyal.** The data points to a segmentation failure. Because segmentation works by grouping large numbers of individuals together based on a common characteristic, it's fair to say most brands are missing the mark — and often. True 1:1 personalization requires a clear strategy that aligns with the customer journey and continuously re-engages buyers through meaningful interactions and offers that deliver real value.



Personalization strategies that are most likely to either increase or decrease loyalty to a brand



Top 5 personalization strategies most likely to increase brand loyalty

39%

PERSONALIZED WEBSITE EXPERIENCE

33%

PERSONALIZED MARKETING EMAIL

33%

PERSONALIZED MOBILE NOTIFICATIONS

29%

PERSONALIZED DISCOUNTS

26%

LOCATION-BASED MARKETING VIA MOBILE

Top 5 personalization strategies most likely to decrease brand loyalty

32%

PERSONALIZED WEBSITE EXPERIENCE

32%

PERSONALIZED MARKETING EMAIL

27%

PERSONALIZED MOBILE NOTIFICATIONS

20%

PERSONALIZED DISCOUNTS

18%

LOCATION-BASED MARKETING VIA MOBILE

More Than a Name

Current marketing experiences are a long way from the true 1:1 personalization consumers desire. We asked respondents to rank common brand personalization tactics on a scale of 1 to 5, with 1 being extremely unhelpful and 5 being extremely helpful. The takeaway here — which shouldn't be too surprising — **is that if you want to give consumers personalization they'll enjoy, make sure your offers are both personal and valuable**, not just an email with their name on it.



Consumer rankings of common personalization tactics



The Lesson

A broad segmentation strategy isn't enough. Macro- and **microsegmentation tactics rely on averages and generalizations, resulting in customer experiences that feel off-base and deliver little, if any, value.** Every interaction must be calibrated to meet individual customer needs — or these moments will repel customers as quickly as they earn newly loyal ones.

The key is relevance. Consumers are bombarded by marketing messages and social media ads nearly every minute of the day. To cut through the clutter, you must craft messaging and 1:1 offers that truly speak to their personal needs and desires; such relevance builds trust.

“Every interaction must be calibrated to meet individual customer needs — or these moments will repel customers as quickly as they earn newly loyal ones.”

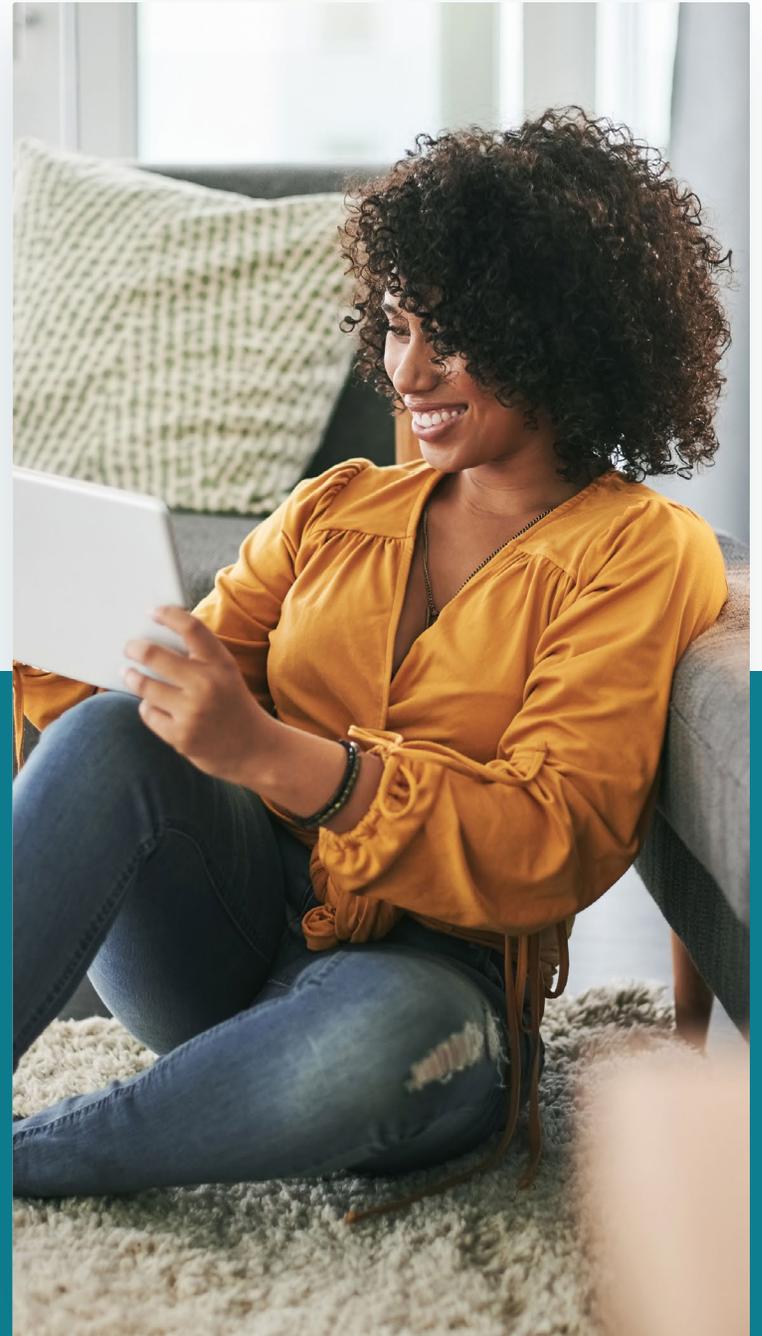
CHAPTER 5

Engaging the Individual

Connect With Overlooked Audiences

Despite the fight for customer loyalty, we found some consumer groups still feel unnoticed. That's a problem when individualization is the new currency. Our survey revealed the opportunity for brands to engage with several overlooked audiences.

“Brands need to make these overlooked shoppers feel recognized as individuals — which can be a ticket to greater loyalty.”



Low Income

Respondents in **higher income brackets are more likely to feel their touchpoints with brands and retailers are personalized compared to their lower income bracket counterparts**. This could explain why respondents in higher income brackets are more likely to be loyal to a brand that uses higher levels of

personalization tactics. While lower-income shoppers have less discretionary funds, they still spend **40% of their consumption on what economists categorize as luxuries**. Brands that write off this audience are missing a huge opportunity for engagement and loyalty.

Respondents who feel their touchpoints with brands and retailers are personalized “extremely frequently”



Respondents' Income

Respondents who “strongly agree” that “The more personalization tactics a brand uses, the more loyal I’ll be to that brand.”



Respondents' Income

Baby Boomers

Baby boomers reported lower instances of personalization across all stages compared to their younger counterparts. Many brands covet the millennial consumer based on the idea that they spend much of their time online — including online shopping. But **baby boomers are the biggest annual spenders in the U.S.** followed by Gen X. Brands should ensure their personalization strategies address the unique needs and motivations of baby boomers to lock in their loyalty, which

requires continuous channel optimization by audience. For instance, before COVID-19, you may have used an app to reach millennials and direct mail to target baby boomers. After COVID-19, however, you might find that gap has shrunk as digital adoption spiked among homebound boomers — and you should update your optimization strategy accordingly.

Respondents who reported receiving the following content “extremely frequently”

CONTENT PERSONALIZED WITH YOUR NAME

BABY BOOMERS
14%

GEN X
23%

MILLENNIALS
26%

GEN Z
25%

CONTENT RELEVANT TO YOUR SPECIFIC LIFESTYLE, INTERESTS, ATTITUDES AND/OR PAST PURCHASES

BABY BOOMERS
10%

GEN X
24%

MILLENNIALS
23%

GEN Z
25%

CONTENT SO UNIQUE TO YOUR NEEDS, INTERESTS AND/OR HISTORY THAT YOU FEEL AS IF YOU ARE THE ONLY RECIPIENT

BABY BOOMERS
8%

GEN X
19%

MILLENNIALS
21%

GEN Z
26%

Shoppers who feel recognized as an individual to a “significant extent” by their favorite brand

Less Frequent Shoppers

Frequent shoppers feel they're experiencing true 1:1 personalization more often than less frequent shoppers — a logical finding. Half (50%) of those who shop once a day said they feel recognized as an individual to a “significant extent” by their favorite brand. By contrast, a mere 19% of those who shop online once a year said the same.

Unsurprisingly, frequent shoppers get more out of their loyalty programs — and give more to brands in return — compared to those who shop less often. It's worth noting however, that respondents who shop online at least once a year (9%) outnumbered those that shop online at least once a day (7%). For reference, the largest group (36%) shops online at least once a month.

When designing loyalty programs, brands should consider tiers that address shopping frequency, so those who shop less often can still enjoy personalized rewards that keep them coming back. Even though a customer might only buy your product a couple of times a year, you can retain their engagement with content relevant to their lifestyle throughout the year, ensuring you're top of mind the next time they buy.



Frequency of shopping

FEEL BRANDED LOYALTY PROGRAMS PROVIDE MORE ENGAGING, PERSONALIZED OFFERS

SPEND MORE WITH A BRAND ONCE THEY'VE JOINED ITS LOYALTY PROGRAM

SIGNIFICANTLY MORE LIKELY TO ENGAGE WITH A BRAND THAT OFFERS A LOYALTY PROGRAM VS. ONE THAT DOESN'T

AT LEAST ONCE A YEAR

73%

67%

19%

AT LEAST ONCE EVERY 3 MONTHS

79%

68%

18%

AT LEAST ONCE A MONTH

82%

68%

22%

AT LEAST ONCE A WEEK

87%

78%

32%

AT LEAST ONCE A DAY

90%

83%

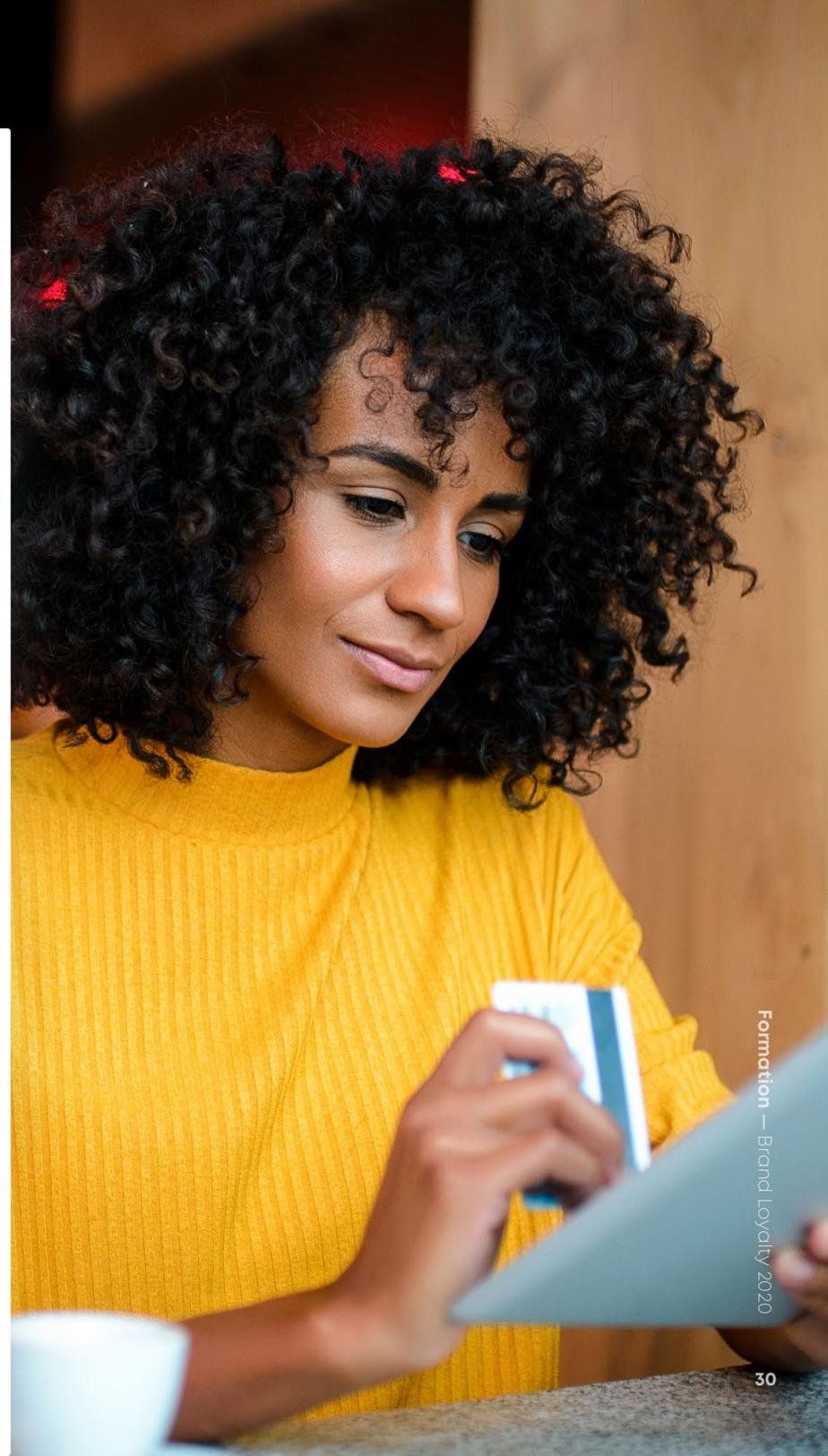
56%

The Lesson

There is significant opportunity for companies to better engage lower-income, baby boomer and less-frequent shoppers through strategic personalization. **Brands need to make these overlooked shoppers feel recognized as individuals — which can be a ticket to greater loyalty.**

Start by analyzing your customer data and looking for ways to shift your business strategy from product-centric and transactional to customer-obsessed and experience-driven. Brands must view every customer as an individual, each with their own unique motivations and buying habits, to connect with overlooked audiences and earn long-term loyalty.

“Start by analyzing your customer data and looking for ways to shift your business strategy from product-centric and transactional to customer-obsessed and experience-driven.”



CHAPTER 6

Your Loyalty Program Should Be Doing More

The Link Between Loyalty and Engagement

The good news: 73% of respondents said they're somewhat or significantly more likely to engage with a brand that offers a loyalty program vs. one that doesn't. The bad news: While most consumers belong to loyalty programs, the actual number of programs they belong to is relatively small.

Of the consumers we surveyed, 70% said they belong to between one and six loyalty programs, with the notable majority of that group (63%) saying they belong to only between one and three loyalty programs. **The takeaway: Consumers are far from generous with their loyalty. Your program needs to be a cut above the rest.**

Top 3 types of loyalty programs to which consumers belong

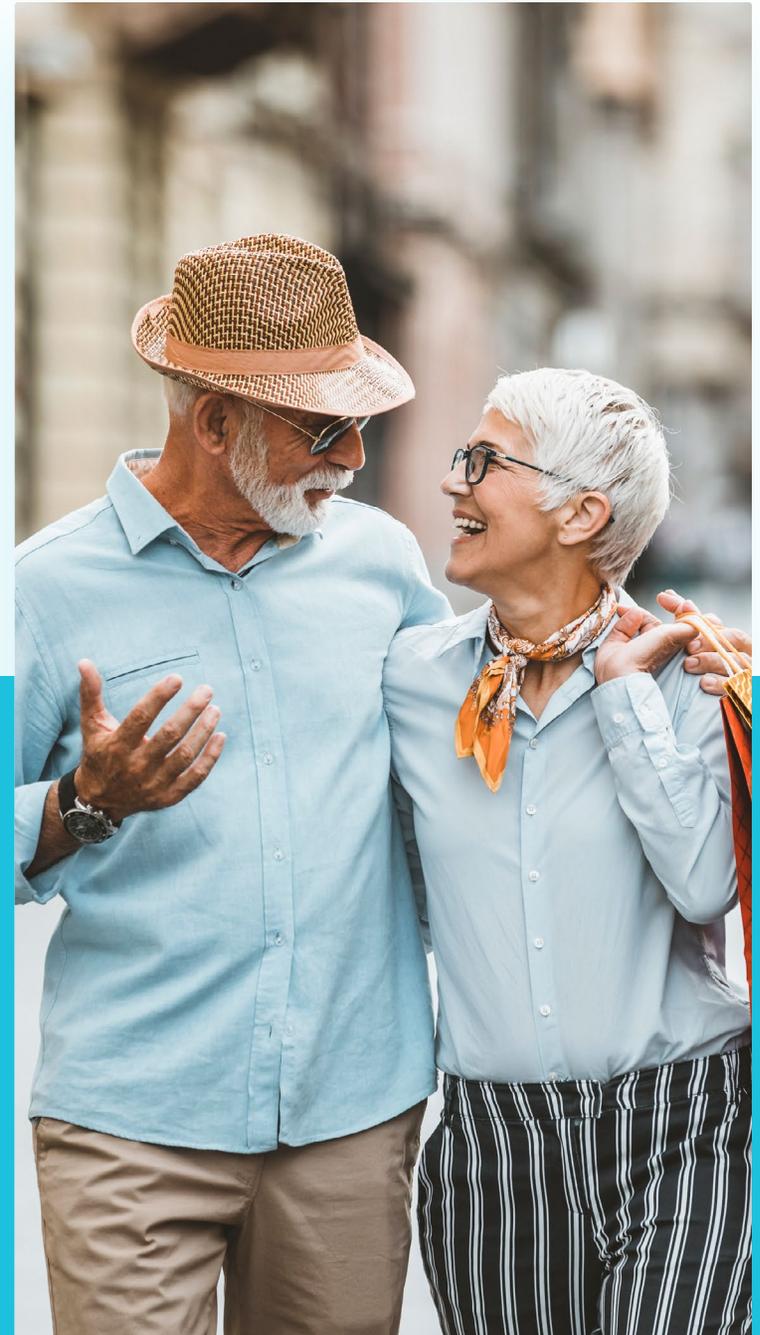
RETAIL/ECOMMERCE



ENTERTAINMENT



HOTELS



KEEP IN MIND

72%

of respondents said joining a loyalty program causes them to spend more money with that brand.

Despite their limited loyalty program memberships, **58% of consumers said they're more loyal to brands than they were five years ago. In an age with more diverse brands than ever before, consumers have an affinity for those that align with their unique interests and motivations.** And their loyalty is mutually beneficial. Seventy-nine percent of those surveyed said the loyalty programs they belong to deliver offers and benefits that are relevant to them as an individual. Additionally, 72% of respondents said joining a loyalty program causes them to spend more money with that brand.

That said, a whopping 77% of respondents feel brands could be doing more to earn their loyalty. Given that there's a direct correlation between personalization and loyalty — 79% agree that the more personalization tactics a brand uses, the more loyal they are to that brand — you should strive to create loyalty programs that engage consumers on a 1:1 basis.



“A whopping 77% of respondents feel brands could be doing more to earn their loyalty.”

Building Hyper-Individualized Loyalty Programs

Loyalty programs engage customers across channels throughout their journey by incentivizing new purchases and ultimately increasing lifetime value (LTV). These customers aren't just more likely to engage with your brand. The information they provide can also be used to fine-tune offers and motivate new behaviors based on purchasing patterns, product or service preferences and behavioral motivators, further deepening their brand engagement.

To be truly effective, your loyalty program must deliver value propositions in line with customer needs. The most successful loyalty programs are those that leverage granular data through machine learning and automation to offer meaningful, valuable rewards to each individual consumer.

“To be truly effective, your loyalty program must deliver value propositions in line with customer needs.”



Look for Ways to Personalize Your Offers Through a Variety of Levers



Choice

Not every customer is alike, so why should their reward be? United's MileagePlus program is a great example of choice in action. Members can elect to redeem rewards for flights, hotel stays, cruises, magazine subscriptions or even unique experiences like sporting events or theater tickets.



Relevance

Just as consumers want choice, they also want rewards relevant to their specific interests and motivations. Business travelers, for example, have very different needs and wants compared to those traveling for leisure. A discount for a spa treatment is useless to a busy executive caught up in meetings all day. Instead, these travelers may prefer rewards like expedited check-in or complimentary car service.



Context

Say a customer comes to your cafe every Friday morning to treat themselves to an end-of-week latte. Sending a discount on a Monday isn't helpful in the moment, and may even annoy the customer. **By relying on contextual data, you can upsell a breakfast sandwich through a customized offer timed to reach the customer an hour before their typical visit.**



Incentivization

It may sound like a no-brainer, but customers need to see a direct benefit from using your loyalty program. Often it's as simple as providing increasingly better rewards the more a customer spends, but technology can enhance the experience through gamification techniques like leveling up, completing missions, setting goals and unlocking special features.

Leveling up on Loyalty: A Look at Three Brands



Sephora

What sets Sephora's **Beauty Insider loyalty program** apart from others is its emphasis on the customer experience, like the significant role its beauty stylists play, across touchpoints. The program offers three tiers based on customers' annual spend, allowing them to access increasingly premium perks.

Sephora's program includes the usual loyalty benefits — points that can be redeemed for discounts — as well as some truly unique offerings, like beauty classes, custom makeovers, a private hotline, first access to new products and invitations to exclusive events.

Whereas most loyalty programs emphasize transactional value, Sephora focuses on emotional drivers like happiness, trust, and surprise and delight. The beauty retailer strives to foster a community for its Beauty Insiders, providing an engaging forum for members to interact and share recommendations and advice.

Purchase
your cosmetics

\$8

\$12

\$15

\$10

SUBTOTAL

Beauty Insider Points
Earn 1 point per 1 dollar spent

TOTAL POINTS

Purchase your
mocha frappe

SUBTOTAL

Starbucks rewards

Earn 2 stars per 1 dollar spent

TOTAL STAR POINTS



Starbucks

Starbucks revamped its **loyalty program** to deliver truly personalized offers to every one of its members. Its mobile app already included many loyalty features popular among its members: order ahead and skip the line, happy hour discounts for certain drinks on some afternoons, double point days and access to the full menu (which isn't displayed in stores).

But Starbucks thought it could do better. **The global coffeehouse chain turned to Formation's offer automation system, which uses machine learning to analyze disparate data sources and create individualized offers at enterprise scale.**

By automating offer management, reward fulfillment and KPI tracking, Starbucks Rewards now has the capability to deliver more meaningful benefits to its nearly 19 million active members — all on a 1:1 scale. Formation's offer automation system resulted in a tenfold reduction in time spent developing and launching offers, enabling Starbucks to triple its personalized marketing sales lift.



Hilton + Lyft

In late 2019, global hotel giant Hilton teamed up with ridesharing company Lyft to launch a [joint customer rewards program](#). The partnership allows Lyft passengers to redeem points at Hilton hotels and vice versa.

The loyalty program enables each company to play off the other's strengths. While Hilton Honors points are highly desirable among customers who want to reduce the cost of a big-ticket vacation, Hilton struggles to stay top-of-mind because most consumers infrequently take such vacations. Lyft, on the other hand, enjoys the benefit of high purchase frequency, but customers attach less value to its reward points simply because most Lyft rides are relatively inexpensive.

The partnership affords Hilton greater day-to-day brand visibility (so the hotel is top of mind when it's time to book a trip), while Lyft incentivizes more riders via Hilton's high-value rewards currency.

Go to the hotel



TRIP TOTAL

Hilton Honors Points

Earn 3 points per 1 dollar spent

EARNED THIS TRIP

TOTAL POINTS EARNED



The Lesson

Consumers are picky about the loyalty programs they join, likely because most brands have failed to provide real value in return.

Clearly, you can — and should — be doing more to capture and maintain consumer loyalty. Designing a hyper-individualized program centered around choice, context, relevance and incentivization can help you get there.

With consumer trust at an all-time low, brands need to prove their value. 1:1 personalization is the best way to build that trust, which translates to stronger customer loyalty in the long run. The brands that have emerged as winners are those with hyper-individualized loyalty programs that align their customers's goals with their own business goals.

“With consumer trust at an all-time low, brands need to prove their value. 1:1 personalization is the best way to build that trust, which translates to stronger customer loyalty in the long run.”

CHAPTER 7

Stocking Up on Loyalty

In It for the Long Haul

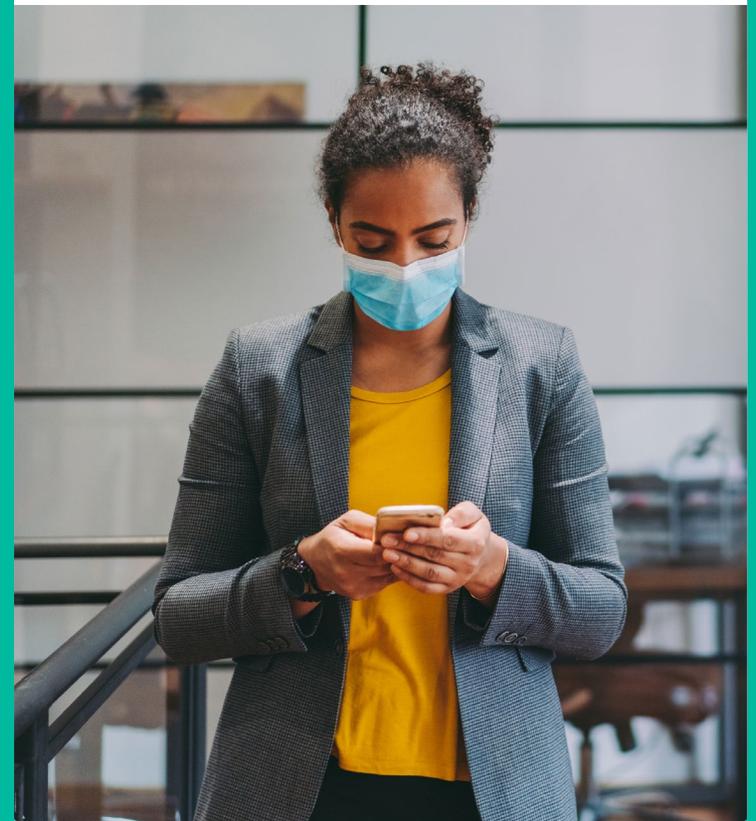
From happy changes like a cross-country move for a new job or the birth of a child, to major disasters like COVID-19 or a house flooding after a storm, there will always be events that disrupt customers' spending habits. But in these moments, brand loyalty is more important than ever. **While consumers might alter their purchasing behavior periodically, brands that have earned their trust and loyalty will be the ones they return to in the long term.**

“From major disasters like COVID-19 or a house flooding after a storm, there will always be events that disrupt customers' spending habits. **But in these moments, brand loyalty is more important than ever.**”

KEEP IN MIND: MORE THAN

50 million

Americans have filed for unemployment due to the COVID-19 pandemic.



Stay Engaged

Similarly, businesses are likely to experience occasional financial uncertainty and unexpected bumps in the road. **One of the best ways to prepare for a rebound is to remain focused on enriching the customer experience.** The brands that halt engagement activities during bad times will almost certainly lose a percentage of their customers. And that's worse for business, because acquiring new customers is more expensive and time consuming than maintaining existing relationships.

Effects of the Coronavirus on Consumer Spending

The coronavirus outbreak dramatically shifted the way Americans spend in a matter of weeks. With restaurants shuttered and live entertainment events canceled, many started buying more groceries to cook from home and invested in video game devices like the Nintendo Switch. Spend across the travel industry came to a screeching halt, while online shopping from retailers like Amazon and Walmart surged.

Consumer habits changed almost overnight, but a return to normal will not be so swift and brands must adapt in order to survive. Strong digital capabilities, safe delivery and pickup options and consumer empathy are vital to their resiliency.



The Lesson

The coronavirus crisis forced many brands to digitize overnight. Now, they must rethink customer loyalty programs and the ways they develop and maintain relationships with customers. At the same time, many have seen reduced budgets and staff, heightening the strain on their time and resources.

Instead of taking a “weather the storm” approach to customer engagement and loyalty during hard economic times, companies should look for new opportunities. Now's not the time to shutter value-driving customer engagement initiatives. Instead, think about what insights you can use to better meet individual customer needs. How can you adapt your personalization program to deliver better offers to valuable customers?

Segmentation was already falling short. Now consumers and businesses have jumped **five years forward in digital adoption in just two months**. In order to build resiliency, outpace the competition and maintain customer loyalty, brands must embrace the next frontier: hyper-individualization. That means leveraging technologies like AI and ML to make data-driven decisions rather than simply citing data to validate existing strategies.



CHAPTER 8

The Crash Course

Key Lessons

Our 2020 customer loyalty survey revealed that while personalization has become the norm, most brands haven't yet nailed their strategy or execution.

01

If you're not ahead of the curve on individualization, you'll find it increasingly more challenging to differentiate your brand experience.

02

A broad segmentation strategy isn't enough.

03

To more meaningfully engage with customers, companies must invest in tools that enable 1:1 personalization.

04

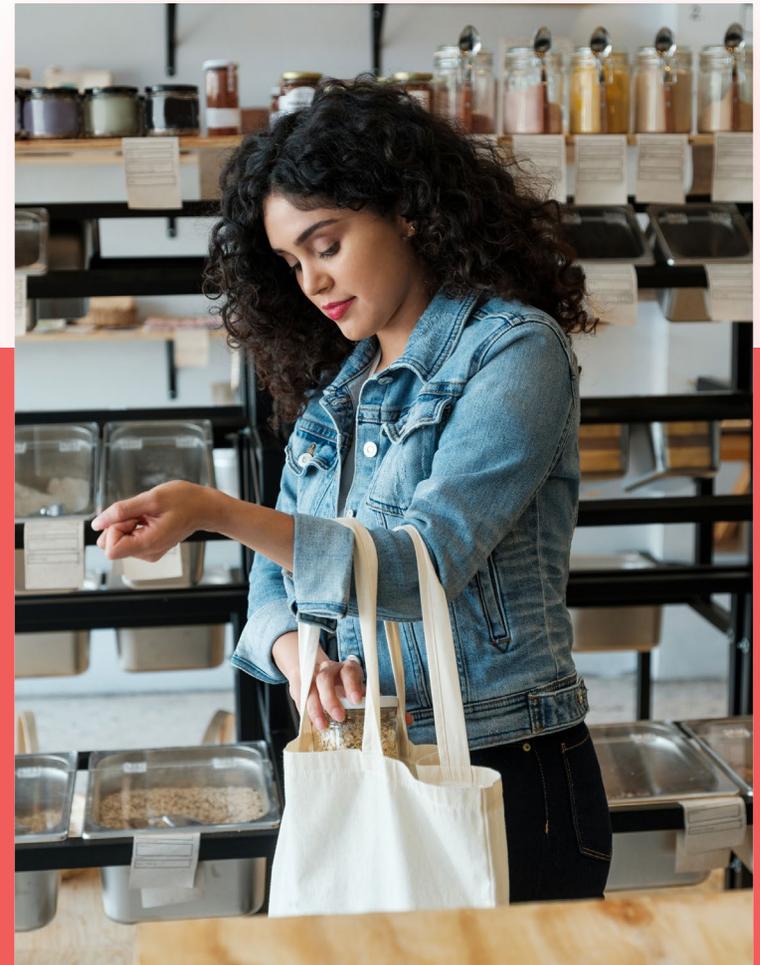
Brands need to find ways to make overlooked and less frequent shoppers feel recognized as individuals.

05

You can — and should — be doing more to capture and maintain customer loyalty.

06

Look for hidden opportunities during tough times.



Take the quiz on the next page to find out your brand's personalization score.

Quiz

How does your brand stack up?

Do you have a customer loyalty program?

Do you have a personalization or individualization strategy?

Do you use technologies like artificial intelligence (AI) and machine learning (ML) to process customer data?

Do you have an engagement strategy to connect with your less frequent shoppers?

Do you have a long-term (beyond the next few months) COVID-19 customer engagement strategy?

Now, add up the number of questions you answered “Yes” to — this number represents your overall score — and discover your results below.

[CLICK ON YOUR SCORE](#)



Key Terms and Examples

Personalization

An experience or communication with a brand tailored to a consumer's unique interests

Personalized marketing email

E.g., a brand email saying "Hey John, we thought you might be interested in this!"

Personalized website experience

E.g., a website automatically loads your default store

Personalized mobile notifications

E.g., "Check in now for your flight tomorrow!"

Location-based marketing via mobile

E.g., a push notification saying "15% off at your favorite Seattle location"

Behavior-triggered email

E.g., "We noticed you left this item in your cart. Are you still interested?"

Personalized discounts

E.g., "Visit a store the week of your birthday for a discount on any item of your choice!"

Personalized rewards

E.g., free shipping, free checked bag, room upgrade, etc.

Targeted advertising

E.g., "Love your new jacket? Here are gloves that could complete the look!"

Personalized experiences

E.g., a beauty retailer that uses in-store technology to scan customers' skin to help them determine the right makeup for their skin tone

Personalized marketing content on website

E.g., a website provides product recommendations based on your purchase history

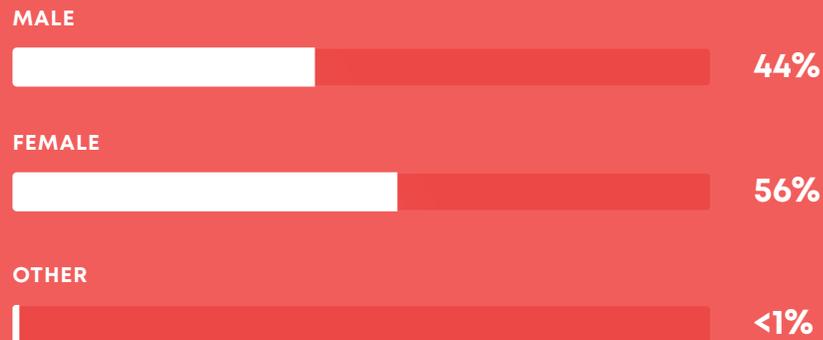
Demographics

To understand the state of brand loyalty and personalization in the United States, we surveyed 2,000 consumers across the country.

Age



Gender



Career Status



Marital Status



Graphs included throughout this report may not add up to 100% since exact percentages are rounded to whole numbers.

